Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Islamic Economy: Its Relevance to the Globalization of Economy in the Muslim Filipino Areas

Ali B. Panda

DISCUSSION PAPER SERIES NO. 2005-07

The *PIDS Discussion Paper Series* constitutes studies that are preliminary and subject to further revisions. They are being circulated in a limited number of copies only for purposes of soliciting comments and suggestions for further refinements. The studies under the *Series* are unedited and unreviewed.

The views and opinions expressed are those of the author(s) and do not necessarily reflect those of the Institute.

Not for quotation without permission from the author(s) and the Institute.

April 2005

For comments, suggestions or further inquiries please contact:
The Research Information Staff, Philippine Institute for Development Studies
3rd Floor, NEDA sa Makati Building, 106 Amorsolo Street, Legaspi Village, Makati City, Philippines
Tel Nos: 8924059 and 8935705; Fax No: 8939589; E-mail: publications@pidsnet.pids.gov.ph
Or visit our website at http://www.pids.gov.ph

Islamic Economy: Its Relevance to the Globalization of Economy in the Muslim Filipino Areas

Dr. Ali B. Panda
Mindanao State University
Marawi City

August 2003

Table of Contents

List of Tables

Abstract

This study confines on the relevance of Islamic economy to global trade, investment and industry in Muslim Filipino areas. It is useful, valuable and a reference material in the formulation of economic policies, plan and strategies.

Islam encourages legitimate economic activities. It condemns usury, hoarding, business monopoly and speculative business and believes in free trade. Its basic principles (truthfulness, honesty, and justice) and other significant elements are acceptable to the Muslims and adoptable in the Philippine setting.

It is suggested that orientation programs on the global business be conducted in the Muslim areas. Capital must be available to Muslim businessmen by way of responsive financial institution. Communication, transportation and tourism facilities be provided and improved. Accreditation of Islamic organization to examine goods and commodities in accordance with Islam. Peace and order must be maintained. Establishment of Islamic pawnshops.

Keywords: Islamic economy, globalization, Muslim Filipinos

Executive Summary

Chapter 1 presents an introduction consisting of the background objectives, significance, scope and limitation and conceptual framework of the study. It shows here that Islam imparts its economic system. With the presence of the Muslims in the country and the emergence of Islamic movements, it is expected that Islamic economic system will be gradually observed in the Muslim Filipino areas.

The significant and historic influence of Muslim participation in global business manifests the need to acknowledge the significant elements of Islamic economic system in the formulation of economic policies.

Globalization of economy has been largely led by the multinational corporations whose economic activities have been motivated by capitalism. They have to transport their products across national boundaries and invest in various forms to ensure their economic development.

Despite of the economic efforts by foreign businessmen, the country has made and redirected its economic policies. While they engage in business activities following the government rules and regulations, the Muslims are expected to observe Islamic economic system.

The prevailing problems affecting business activities among Muslims invite the need to undertake this study. It specifically sought to come up with the following objectives: (1) to analyze the meaning, nature, laws and aspects of Islamic economy; (2) to discuss the major factors affecting globalization of economy in the Muslim Filipino areas; (3) to discuss the prospects of economic development in the Muslim areas under globalization.

This study is useful in the formulation of policies, plans and strategies which are congruent with the socioeconomic realities in the Muslim areas in particular and the APEC region in general. Valuable information to investors and businessmen in redirecting their business activities; great help in promoting the participation of the Muslims in global business; reference material by the serious students of Islamic economy and globalization; and a baseline information by the researchers who will undertake similar work in the future.

This study is limited. It does not, and cannot go into all aspects of Islamic economy and economic system. It tries to find answers on the said problems that it attempted to address.

Chapter 2 presents the review of literature and studies. This shows in brief the involvement of Prophet Muhammad in business activity and his advise the need to follow his Sunnah (tradition). Certain literatures on commercial activities and global business in various places of the world are also cited. Related studies are very limited. It cites related research works which can help in analyzing the problems that this study is attempted to address.

Chapter 3 presents the research methodology. This includes the locale, research design, respondents and sampling procedure, research instrument, data

gathering techniques, survey questionnaires and library works, and data analysis and treatment of the study.

Since the study is a descriptive and qualitative in nature, statistical tools such as frequency counts and percentage distribution were used.

Chapter 4 presents and discusses the nature, laws and aspects of the Islamic economy. This part discusses (a) the meaning and nature of Islam as a way of life and religion; (b) the sources of laws of Islamic economy, i.e., Qur'an, Hadith, Ijma and Qiyas; (c) the economic resources are abundant and trust; (d) the Islamic trade, commerce and industry particularly on the Islamic basic business principles and other economic practices influenced by capitalism (i.e., business monopoly, hoarding, speculative business, usury or riba, barter trade, international trade, industry); (e) the Islamic concept of price; (f) the banking system including its nature, financing and loans, system guarantee, relations with depositors and entrepreneurs, partnership between businessmen and bank, banking service activities and Baitul Mal; and (g) public finance.

Chapter 5 presents and describes the issues and problems affecting the global business in the Muslim Filipino areas. Among them are poor knowledge and awareness, poor human behavior, insufficiency of business capital, poor means of communication, poor means of transportation, haram (unlawful) foods/products, poor tourism related facilities, poor quality products, unstable peace and order condition, poor government support, bureaucractic control and leadership crisis. With all these issues and problems, it was generalized that globalization of economy in the Muslim Filipino areas are relatively poor.

Chapter 6 presents and analyzes the prospects of economic development in the Muslim Filipino areas under the globalized setting. This includes the discussion of the concept of economic development in Islam, the indicators of economic development, strategic location, abundant economic resources and the ongoing Islamization in the areas as well as the potential role of globalization. The location shows that Mindanao where Muslim areas are situated considered the present core of development being member of the growth area (BIMP-EAGA) and has direct economic links through the East ASEAN sub-region. It offers vast opportunities for both local and foreign investors. It is an island and islets rich with natural resources. The ongoing Islamization in various channels is the best way to comprehend Islamic tenets and principles. And globalization has become relevant since it deepens and tightens the interdependence of world economy in order to ensure mutual help among nations, help solve the Muslim Filipino economic backwardness, brings more aid and funds for economic growth, promotes productive investment, exposes the Muslim businessmen in global business, and augments the nations' economy.

Chapter 7 presents the summary, conclusion and recommendation. It is concluded that Islam as a way of life has encouraged legitimate economic activities. It does not believe on the scarcity of resources in the real sense; they are abundant. Honesty, reliability and obedience to the constituted agreement are the basic economic principles. It condemns usury, hoarding, business monopoly and speculative business in economic activities and believes in free trade.

Busines activities among Muslims is an indirect or direct participation in global business since some goods in the market are imported. This globalization has been affected by the said issues and problems which are commonly encountered in various parts of the country and those which are uniquely encountered by the Muslim Filipinos.

It is hereby recommended that the Department of Trade and Industry and responsible offices should effect a series of orientation programs on the global business; Muslim businessmen should be provided with enough capital by leading institutions of the government and responsible financial institutions in pursuit of their economic activities; good means of communication and transportation and tourism related facilities in the Muslim areas should be provided and improved; the government must accredit Islamic organization or institution whose primary function is to examine goods and commodities in accordance with the requirements of Islam; peace and order task force should be organized whose membership is composed of representatives from various sectors of the Muslim society who is tasked for the settlement of disputes; the government may study the possibility of adopting Islamic banking system following the Malaysian model or changing the regulatory system of banking system to satisfy Islamic banking principles; and the establishment of Islamic pawnshops with considerable capital in order to refrain Muslims from committing sins according to Islam.

It is therefore suggested that studies be conducted in the future on the relevance of Islamic economy to the economic system of the country; the effects of haj (pilgrimage) on world trade; the historical account of the involvement of the Muslim traders on prehistoric southeast Asian trading activities; the description of the nature and areas of Islamic economy; the relevance of Sunnism to globalization; the trade integration between Sunni and Shiite economy; the responsive economic system reforms for the Muslim Filipinos; and the Islamization of Muslim areas.

Chapter I. Introduction

Background of the Study

Islam gives utmost significance to brotherhood and socio-economic justice and requires a balanced satisfaction of both the material and the spiritual needs. It imparts its economic system which is fundamentally distinct from the prevailing economic systems, i.e., capitalism, socialism, and communism. The aim of Islamic economic system is not primarily on private earnings but rather based on the concept of human well-being and good life. The Muslim Filipinos, therefore, being the followers of Islam must be aware on its system, aspects and universality and they are expected to observe while living in the Philippines.

With the presence of the Muslim in the country and the emergence of Islamic movements working for the propagation of Islam, it is expected that Islamic economy and its system will be gradually understood, and observed largely in the Muslim Filipino areas. The government has considered the Muslim's need and aspiration among the factors in charter change and innovations in redirecting its efforts for the socio-economic and political destiny and development of the country. Among the helpful innovations was indeed the creation of the Amanah Islamic Investment Bank of the Philippines, a bank which was mainly conceptualized to operate as an Islamic bank and also thought to gain confidence of the Muslim's towards government. Unfortunately, the bank operates more or less similar with the typical banks we have such as the Landbank of the Philippines and the Philippine National Bank. The Constitution, therefore, provides the consideration of the customs, tradition and beliefs of the Muslims and the cultural communities in the formulation and implementation of state policies.

Historically, Muslims have participated in global business and even in the exchange of cultures. This has been experienced since the time of Prophet Muhammad (peace and blessing of Allah be upon him). After his demise in 633 AD at Madina, among his followers went and settled to the various places of the world for the propagation of Islam and at the same time, engaged in trade and exchange of cultures. Some settled at Basra, Kufa, Baghdad, Iran Jerusalem and in the distant part of the world from Morocco and Spain in the West, to India, China and Southeast Asia in the East, Central Asia in the North, and Africa in the South.

The significant influence of Islamic trade can be seen not only by available historical documents but also by the coins of the seventh to the eleventh centuries which have been found in several outlying parts of the then Islamic world. They have been found in different parts of Russia, Finland, Sweden, Norway, the British Isles and Iceland. The great wealth of material goods which the enterprising Islamic world from far-distant lands were exported to Europe (Chapra, 1995).

The historic and remarkable participation of Muslims in global and international business activities as well as in establishing mutual cooperation in the area of economy manifest the need to acknowledge and accommodate the significant elements of Islamic economic system into changeable economic policies. Such obvious participation further invites concerned people, organization and even governments to take as reference in the conduct of business activities.

Nowadays, globalization of economy has been largely led by the multinational corporations of the developed and industrialized countries whose economic activities have been motivated by capitalism – an economic system that adheres in the unrestricted private ownership of the means of production since the motive force is private profit and not for the general welfare of the people. Their principles are dominated by three ideas: acquisition, competition and rationality.

In order to sustain and developed their economy, developed countries proceed in globalizing their economy. They have to transport their products and goods across national boundaries and invest in various forms in order to ensure their economic development. They possess many instruments of commercial policies (e.g., tariffs, import quotas, export subsidies, etc) to improve and sustain their business activities. They design to have coordinated trade and profitable economic activities. Their well designed economic activities and policies, therefore, may have profound impact on the economies of poor nations.

Despite of all economic efforts by foreign trades and investors, the country as a state has maintained its economic policy to exploit, develop and utilize its natural resources and the exercise of authority over foreign investments within its national jurisdiction (Philippine Constitution, Art. XII, Sec. 2 and 10).

Muslim Filipino areas in Mindanao are part of the present core of development through the Brunei, Indonesia, Malaysia and Philippines – East Asian Growth Area (BIMP- EAGA). The membership of the Philippines will strengthen Mindanao's direct global economic link with the East Asian sub-region because of its strategic location, people's culture and abundant economic resources.

Muslim Filipinos in particular have engaged directly or indirectly in the globalization of economy. While these people have engaged in this activity following the government existing rules and regulations, they are expected to observe Islamic laws, a law that prohibits usury, hoarding and monopoly in economic activities.

Muslim businessmen might have different experiences and problems in economic activities, including the poor awareness in business undertakings, insufficiency of capital, unstable peace and order condition, poor quality products, poor means of communication and transportation, poor tourism related facilities, lack of government support and leadership crisis. The presence of these inadequacy and weaknesses adversely affect business economic activities for economic development.

The abovementioned problems and the interplay of various economic systems invite the need to undertake this study in order to comprehend the relevance of Islamic economy.

Objectives

This study focuses on Islamic economy (i.e., trade, investments and industry) in the Muslim areas in the Philippines. Specifically, this study came up with the following objectives:

- To analyze the nature, meaning and sources of laws and other aspects of Islamic economy
- To describe the major issues and problems affecting the global business (i.e., trade, investment and industries) in Muslim Filipino areas, and
- To discuss the prospects of economic development of the Muslim Filipino areas in a globalizing world.

Significance of the Study

This study provides better understanding on the relevance of Islamic economy to the globalization of economy, particularly on trade, investments and industries in Muslim Filipino areas. The findings of this study are useful in the formulation of policies, programs, plans and implementation strategies which are congruent with the socio-economic realities in the Muslim areas in particular and the member countries of the Asia-Pacific Economic Cooperation (APEC) in general to promote and facilitate business and investments. It can be valuable information to investors and businessmen in redirecting their investments and business activities which are tailored to the demand for the globalized economy and to the government sector in improving its business policies appropriate for trade, investment and industrial activities and cooperation.

The outcome of this study will be of great help in promoting the participation of the Muslims in business activities for economic development.

Finally, this study will serve as a reference material of serious students of Islamic economy and economic development under the globalization trend and baseline information by the researcher who will undertake similar work in the future.

Scope and Limitation of the Study

The scope of study is limited. It does not, and cannot go into all aspects of economy and economic systems of Islam. It tries, however, to find answers on some of the issues raised in this study. It specifically presents, discusses and investigate the nature, meaning sources and other aspects of Islamic economy, the major problems of global trade, investments and industries, the prospects for economic development under globalization as well as the potential role of globalization in the Muslim Filipino areas. This study covers the period 2001-2003.

Conceptual Framework

Islam is not only a religion but a way of life. It recognizes legitimate economic activities of man, including trade, commercial partnership, cooperative and joint stock companies. It allows owning property in a limited scale. It is limited to those that could be actually used. This goes to show that Islamic economy is somewhere in between capitalism and communism. The former proclaims private ownership and the latter proclaims state possession.

The nature, concept and principles of Islamic economy are based on Shariah which is principally found in Qur’an (word of Allah, s.w.t) and the Hadith (saing of

Prophet Muhammad, s.a.w.). Globalization of economy is one aspect of Islam which is adoptable in modern times designed to ensure mutual cooperation among people for economic development. Otsubo (1996) revealed that “this globalization is the integration of production, distribution, and use of goods and services among the economies of the world.

In the modern parlance, globalization promotes competition such a way that products can be sold at reasonable price or a price favorable to the interest of one’s group, nation or country.

Islamic economy fits to address the demand of an expanded service area of economic activities. This provides a better opportunity to strengthen position and strategies of certain group, nation or individuals in global business. Having business relations in terms of exchanging primary food and raw materials in exchanging of finished products and in terms of transporting products across national boundaries provides a wider market and increased earnings.

The mutual understanding in all forms of human activities is clearly mentioned in the Qur’an, where Allah says:

> *“O mankind, verily we created you from a single pair, male and female*
> *and made you into nations and tribes that you may know each other (49:13)*

This implies that Islam recognizes diversity of culture and capabilities. Lamberte (2001) discussed that APEC also recognizes the differences of culture and capabilities of member economies. With this, strong localization of economy can take place. Trading systems are regulated to make sure that among members are conducted in a fair manner.

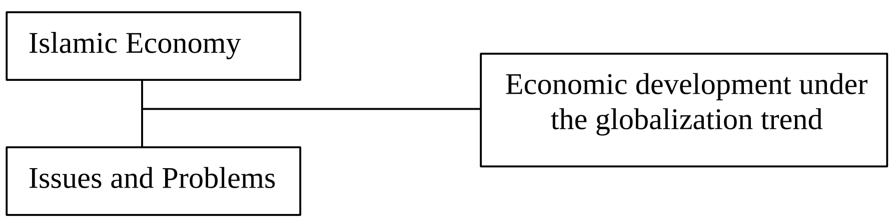


Figure 1. Conceptual Paradigm of the Study

However, issues and problems of global business in the Muslim Filipino areas are inevitable. The presence of the problems and their gravity indicates that there is something basically wrong somewhere. What is it that is wrong? The answer would depend maybe on our philosophy of life as this will determine our analysis of the underlying causes of problems. These include the poor knowledge and awareness on economic activities, insufficiency of capital/funds, poor human behavior, poor means of communication and transportation, unstable peace and order condition, inadequacy of tourism related facilities, lack of government support, leadership crisis and the prevalent of haram (prohibited) foods/products. These problems can be classified in order to distinguish which problems are commonly encountered in all parts of the country and which among them uniquely encountered by the Muslims. If these

problems are given serious attention through responsive economic policies, economic development can be eventually achieved.

The Muslim places are not different. They are place with the same problems as other places. Some are, however, following the West in everything and committing the same mistakes. No serious efforts is being made to analyze the underlying sources of their problems and to determine a proper and relevant strategy for solving them in the light of their own value system.

Chapter II. Review of Literature

A true Muslims are following the footsteps of Prophet Muhammad. He made himself as a model in all aspects. He demonstrated his honesty, sincerity and impartiality in all undertakings. This is in line with the Ayah (verse) in the Qur'an where Allah says:

> *Take of what the Prophet had brought to you and deny yourselves whom he withholds from you (59:7)*
>
> *And We have not sent thee save as a bearer of glad tidings and a warner unto all mankind (34:28).*
>
> *And we have not sent thee except as a mercy unto the Worlds (21:107).*

In the course of his business activity, Prophet Muhammad earned the title of Al-Amen, the trustworthy. He advised his followers who were traders to observe his golden principles. Consequently, all of them prospered to an incredible extent and most of them at that time who engaged in trade were able to sustain the economic life of their families.

Islam has encouraged businessmen in actively participating in trade, investment and industry. Manan (1987) traced the historical development of commercial activities and law of the Muslims. He cited the factor that enlightened Muslim Moors used to have an immense trade with the Levant from Barcelona and other places; the factories and consuls in Tanais and great trade in Constantinople. The Muslims reached the ports of India and China and extended along the African coast as far as Madagascar. In the middle of the eight century when Europe was in the dark ages, enlightened Spanish Muslim such as Abdul Qasim and others were writing treaties on the principles of trade and commercial laws and rates. Thus, Islam has encouraged international trade not only for economic cooperation but also for establishing a universal brotherhood through mutual exchange of ideas and knowledge.

Manan (1987) pointed out the "different rates techniques existed among the Muslim trade areas for an efficient working of merchants and commercial transactions. These rates techniques are bound to change with the changing circumstances and time. In the Muslim Filipino areas, there are instances that businessmen among Muslims do not pay business taxes for several reasons. Among

them are the poor awareness on the importance of business tax and the negative attitude towards government.

Laerson and et al (1987) revealed that globalization of trade since 1970s has restored and even surpassed the levels of trade interdependence seen earlier in the twentieth century. World's exports as a proportion of world production rose consistently after 1840, peaked in 1913, recovered after 1950, but surpassed 1913 levels only in the mid-1970s. That is after 1970 more and more production has been destined for international trade. During the decade from 1985 to 1994, trade grew twice as fast as global output. Periods of global economic expansion are especially prone to rapid increases in trade. This trend has significant relation with the globalization trend in the Muslim Filipino areas.

It is noticeable that there has been a controversy on trade and interest in Philippine setting. This is quite true since both private and government owned financial institution mostly operate according to the doctrines of capitalism. Islam has its own idea on this issue. Manan (1987) revealed the following arguments from the economic point of view:

1. It is risk-taking which differentiates from interest. Risk-taking it basis of normal trade which allowed in Islam while interest is fixed and not fluctuate like profit.

2. When capital invested in trade brings profit, it is the result of initiative and enterprise. This is not true in the case of interest because the creditor gets for himself a definite amount of money for his loan regardless of loss of profit to the factors or investors.

3. In trade the moment a commodity an exchanges for its price, the transaction come to an end. The purchaser does not give anything after that transaction to the vender. But in interest dealings the creditors does not cease to demand (as along as the principal in not returned). Therefore, there is a limit of profit which one may expect from trade but there is no such limitation in the case of interest due to the creditors.

4. Since trade is productive and a person derives benefit after undergoing labor, hardship and skill, it creates the conditions of full employment and economic growth. The harmful effects of interest during the great depression of 1929-33 was so deep that economist of capitalists countries were forced discard the classical economic theories and evolve new ones advocating the elimination of interest from their economic institutions.

5. The last, not the least, point is that trade may act as one of the dominant factors in the process of building civilization through cooperation and mutual exchange of ideas. But interest in man is the undesirable weakness of miserlyness, selfishness and lack of sympathy, Thus, from the economic and ethical standpoint, interest uproots the very foundation of humanity and mutual help and stands in the way of full employment and economic growth. But trade in an Islamic State is a boon to society.

On account of knowledge and awareness on certain thing or activity, Dye (1978) revealed that factual knowledge is a prerequisite to prescribing for the ills of society. This is fairly relevant in all forms of business activities.

According to Chapra (1995), there are number of scholars that have done pioneering work in the field of Islamic economy and banking. It is not possible to give a complete list. Some of the prominent names are Sayyid Abul A'la Mawdudi, Dr. Anwar Iqbal Quraishi, Shakh Mahmud Ahmad, Na'im Siddiqi, Dr. Muhammad Uzair and Dr. M. Nejatu Uah Siddiqi from the subcontinent, and Dr. Isa Abduh, Dr. Abdullah al-Arabi, Dr. Ahmad al-Najjar, Muhammad Baqir al-Sam- and Dr. Sami Hamud from the Arab countries.

There are many factors influencing the economic situation of a country and among them is trade. According to Todaro (1982:294), trade is an important stimulator of economic growth. An exchange of goods and services enables a nation to produce more and raise input. It provides people greater access to scarce resources In addition, trade enables manufacturers to have good quality products. This study deals much on global business. So country should import and export quality commodities with considerable and reasonable price.

Sicat (1983:58) in his study revealed that production carries an important part in selling. The country may be able to produce and sell goods at higher prices. But with this trade cooperation, while it cost too much to distribute, price would tend to decrease since more goods would be available. The law of supply and demand comes in were fewer goods are brought to higher price and people tend to but more at lower price, while at high price more goods are available for sale than at lower price. This goes to show that manufacturers should produce more in order to maintain and even to lower the price in the market.

Chapra (1980) in his study examined the interrelationship between the economic and political context of the Islamic way of life and discusses the functions and nature of the Islamic State in the light of its basic imperatives within the framework of financial constraints. It is argued that the Islamic way of life, being goal oriented, is conceivable without an organized community governed in accordance with the tenets of Islam. Then the paper examines some of the essential economic functions which the Islamic welfare state is expected to perform. They are to:

1. eradicate poverty and create conditions for full employment;
2 promote stability in the real value of money;
3. ensure social and economic justice through equitable distribution of income;
4. maintain law and order, and
5. harmonize international relations and ensure national defense

These essential economic functions are significant aspects in analyzing economic development under the contemporary globalization trend.

Thus, the study concludes by saying that although capitalism also recognizes of the individual, there are no spiritual constraints on this freedom. The constraints that do exist are determined primarily by the pressures of competition or the coercive

power of the state, and secondarily by changing social norms without any spiritual sanctity. In an Islamic system, however, the individual is subject to the internalization of spiritual values in all aspects of life, including the acquisition, spending and distribution of wealth. Islam normally recognizes, like capitalism, the freedom of enterprise with the institution of private property, the market system and the profit motive, but it differs from capitalism because in Islam as a trust from God and man as trustee and vicegerent of God is responsible to Him and subject to His guiding principles. This conclusion, therefore, is useful and relevant in analyzing the difficulty faced by the religious Muslim businessmen in dealing with the capitalists and financial institutions whose business activities are basically governed by man-made laws permitting usury which is condemned and prohibited by Islamic laws.

Kahf (1982) in his study show the determinants of saving and investment in an Islamic economy. The government sector has been excluded from this study for the purposes of pointing out the internal forces in the Islamic system and comparing them with other existing theories. It is argued that this will help building an Islamic monetary theory that explains the behavior of saving and investment in the normal operation of the Islamic system.

What makes the Islamic economic system so unique is its ability to produce consistent and progressive behavior on the part of the individual economic unit. The consistency of this is possible by the elimination of interest and the imposition of Zakah. The progressiveness of the system results from the two assumptions about Zakah and interest. While Zakah collection makes it necessary for the wealth owners to increase their savings by at least the amount of Zakah paid. The prohibition of interest makes it necessary for them to minimize resources held in liquid form. This finding is also essential in the present study in analyzing the difficulty of the religious businessmen in doing business activities permitting interest or usury and other devils of economy which has been employed by capitalism.

Al-Mududi (1971-131) analyzed these traits of the economic system in Islam; the distinction between what is lawful and what is unlawful in the methods of acquiring wealth and money; the Islamic theory of spending; the institution of zakah as the obligatory tax, the laws of inheritance and how such laws guarantee the fragmentation of wealth; the methods of distributing the booties and spoils of war among the whole community; the command to be moderate in spending and living as one of the characteristics of the servants of Allah.

Chouldery (1983) in her study developed a quantitative methodology for determining the capitalization rate and to define its structure in Islamic valuation models. It has been shown that this all important parameter is the sum of two components: 1) the required rate of return, and 2) the risk premium. The required rate of return shown to be essentially the marginal efficiency of real investment, private or social, as the case may be. This was determined by the social choice, model, whereby the investor is faced not with the problem of allocating his income among consumption intertemporally, but rather with the problem of allocating his income into real investment intertemporaly.

On the question of risk-premium it was showed that the return in an Islamic investment are inextricably a putty clay of the pure economic returns. In the light of

such a return was shown that an Islamic entrepreneur need not be strictly risk adverse with regard to pure economic return. However, with respect to the total Islamic return, the usual analytical assumptions of risk-aversion may be used.

Finally, the study has been focused on the real economy. However, the issues and applications of the rate-of-return analysis are to be found in project evaluation problems of both the real and money economics.

According to the author, the main results of this study will bring on the following two assumptions:

1. Inter temporally, savings will be weighted more towards the production of capital goods rather than to consumption goods.

2. The total return from an Islamic investment or what we also refer to in this study as an Islamic return is the sum of a pure economic component and a pure non-economic component.

Mohammad (1977) revealed in her study that government could establish opportunities for investors by initiating priority project for economic development. She likewise stated that priority ranking specifically on location advantage favors investors to maximize profits. Thus, foreign direct investment and industries in the Muslim areas, government projects for economic development, including infrastructures and tourism related facilities should be provided.

Production carries an important part in selling. Since (1983:58) mentioned that country may be able to produce and sell goods at higher prices. But with this trade cooperation, while it cost too much to distribute, prices would tend to decrease since more goods would be available. The law of supply and demand comes in, where fewer goods are bought at higher price and people tend to buy more at lower price while a high price more goods are available for sale than at lower price.

Manao (1993) in her study, entitled: "The Quality of Facilities, Staff and Services of Tourism-Oriented Establishment in Cagayan de Oro", concluded that most guests coming to their hoteblodging houses are on business purpose. She likewise recommended for the formulation of policies for better hotel management and suggested that modern telephone lines be installed for efficient communication services. The said finding can be used as a basis in analyzing the poor related tourism facilities as well as the need to have stable means of communication.

Edrozo et al (1999) in their study revealed that the programsprojects priorities rank 1-7 by committee members were the following: power and electricity, water facilities, communication facilities, roads, transportation, communication network, and warehouse, respectively, number one as the highest. Power and electricity are basic necessities to put up industries and other establishment in order to sustain all undertakings activities in the area, water facilties and the rest follows as it is also requisites in all endeavor.

The study of the APEC Secretariat (1995) identified an extensive range of impediments to international economic transactions. The traditional obstacles include

tariffs, quotas and other non-traditional barriers (NTBS) importation of goods, namely import licensing and anti-dumping measures. There are large number of impediment to international transactions in services, investment and technology. Export controls such as taxes, quotas, prohibitions, and inspections regulations are knovvn to behave as major trade investments in APEC economies both directly and indirectly through their impact on assistance provided to upstream industries. There are also policy-based obstacles differences in, or lack of transparency of domestic regulatory and administrative systems or product standards add greatly to the cost of international commerce.

Chapter III. Research Methodology

This chapter presents the set of procedure in gathering data in order to answer the research questions. It includes the locale, population, research design, instruments, data gathering and the data treatment of the study.

Locale of the Study

This study was conducted in the Muslim areas in Mindanao, where there are considerable Muslim businessmen who are directly and indirectly involved in global trade, investment and industry, particularly in Marawi City, Iligan City, Davao City, General Santos City, Cotobato City, Zamboanga City, Tawi-tawi, Jolo and Basilan.

Research Design

The methodology of this study is largely qualitative. Its emphasis is on the generation of as much relevant data as possible. It is not guided by hypothesis, but by exploratory questions and issues, and search for patterns. Qualitative methodology is deemed appropriate to studies where little is known, that are exploratory in nature and emphasizing description and explanation. As pointed out earlier, little is known about the Islamic economy and its relevance in global trade, investment and industry in the Muslim areas. This means that this study is descriptive in nature. Questionnaire survey was also employed to find the existing reality affecting business activities in the Muslim areas.

The study employed both library and field works. Library works designed to gather the related literature and studies and the meaning, nature, laws and aspects of Islamic economy. Field survey designed to gather the problems and issues affecting the global business in the Muslim Filipino areas.

Respondents and Sampling Procedure

The respondents of the study comprised of 153 Muslim businessmen representing the various Muslim tribes in the Muslim areas in Mindanao as respondents of the study. Since there was no available data regarding the number of Muslim businessmen in the areas, the research assistants were directed to proceed to their research field areas and distributed the questionnaire to those businessmen who were available during that time, and were willing in answering the questionnaire and personal interview. So sampling was not employed.

Table 1. Population of the Study

Areas	**Number of Respondents**	**Percentage**
Marawi City	17	9.1
Iligan City	17	9.1
Davao City	17	9.1
General Santos City	17	9.1
Cotobato City	17	9.1
Tawi-tawi	17	9.1
Jolo	17	9.1
Basilan	17	9.1
Zamboanga	17	9.1
Total	153	100

Research Instrument

One set of questionnaire was used to gather data from among the Muslim businessmen. Part 1 solicits the socioeconomic profile of the respondents. Part II was designed to determine and analyze the issues and problems affecting global business, particularly trade, investment and industry. Lastly, Part III is concerned with the prospects of economic development in the Muslim Filipino areas under globalization.

Data Gathering Techniques

In gathering data, the following methods and techniques were used:

1. Survey questionnaire and interview

The research administered some of the structured questionnaire and the rest were done a trusted research assistants to the 153 respondents representing the Muslim major ethnic groups in Mindanao (Tausug, Maranao, Maguindanao and Iyakan). Out of 153 questionnaires, 150 were retrieved.

A letter of request was attached to the questionnaire stating therein the purpose of the study and the value of information to be gathered in order to gain the respondents' trust and confidence to answer the questionnaire.

In order to substantiate the necessary information which were not taken through the survey questionnaire, the researcher also conducted personal interview with people who have participated and contributed to business activity and economic development.

2. Library research

In addition to the data gathered through questionnaires and interviews, library research were employed. The libraries of Mindanao State University were visited. There are numerous reading materials which explain economic system of Islam. These includes books, articles, periodicals, manuscripts and unpublished works. As

faculty of Islamic studies and economics, the researcher is able and has a better position to have more materials on Islamic economy and its relevance to the globalization of economy of Muslim Filipino areas.

Data Analysis and Treatment

Qualitative analysis from Islamic perspective using the Qur'an and the Sunnah as the primal sources was used largely throughout the study. A data through questionnaire are presented, tabulated, analyzed and interpreted using the following formula:

$$\frac{n}{tr} \times 100$$

where:

N = sum of the responses of the respondents in a particular item
Tr = number of respondents
100 = percentage constant

Chapter IV. Islamic Economy: Its Meaning, Nature, Laws and Other Aspects

This chapter presents and discusses the meaning, nature, sources of laws and other aspects of the Islamic economy. Since this chapter is broad enough to encompass the overall aspects of Islamic economy, this study covers and discusses only those that are directly related to the study.

Meaning and Nature of Islam

Islam as a religion and way of life encompasses socio-economic, educational and political aspects. But, outside observers of the Muslim society typically mean that Islam as a religion whose spiritual leaders should confine their role on spiritual matters. The Muslims believe that Islam balances material and spiritual aspects, designed to cater for human welfare *(falah)* through the establishment of the moral and the material needs of human beings and the actualization of socio-economic justice and brotherhood in human society. Abdallati (1973:7) said:

> "*Islam teaches both faith and a way of life; a religion and a social order, a doctrine and a code of conduct and principles and a socio-political movement"*

Moreover, Islam stands for a commitment to completely surrender to the will of Allah, for it is only in submission to Him that man will find peace with himself and with all that affects him. Harmonization of man's will with the Creator definitely leads to the symphony of various spheres of life. Yazbeck (1982: 136-137) revealed that:

> *Islam is not simply an acceptance of creed; rather, it is an affirmation of ultimate reality and participation in its daily fulfillment in everyday life, a total consciousness of this reality in every act of eating, working, paying, dreaming, in recreations and in interpersonal relations.*

This means that Islamic laws regulates the day to day human undertakings. It teaches not only the relations between man and man but also man's relations with the Creator. Sardar (1988) explained:

> *Islam applies and regulates the day-to-day existence of man. In it, there is a blending and a balance between the material, the rational and spiritual aspects of man's quest. It is because of this equilibrium that Islam is often describe a the middle way and why Islam as a way of life is said to aim at moderation.*

Modern knowledge attests that all heavenly bodies are joined together in a distinguished scheme. All of them obey an unalterable law and make no slightest deviation from it. Allah says:

> *Whatever beings there are in the heavens and the earth do prostrate themselves from Allah (acknowledgement subjection) – with goodfill or in spite of themselves: so do their shadows in the mornings and evenings* (Qur'an, 13:15).

The above Qur'anic verse shows that all creatures are made and enjoined to follow the commandments of Allah.

The economic system of Islam makes it absolutely imperative to use the God-given resources for fulfilling the essential needs of all human beings and providing them with decent living conditions. It makes wealth does not actually belong to man. It belongs to God and its human owner is just a trustee, entrusted with it to realize the objectives of God, two of the most important of which are general human well-being and socio-economic justice. It also encourages the Muslims to look and work for their subsistence and to sustain their socio-economic life. It is in this context that Muslims engage in socio-economic and political spheres of the society. They went out from their home and homeland to some extent just to engage in trade and other forms of economic activities.

The value of economy and economic resources are implied when Allah enjoined upon rich Muslims to give Zakah, a religious tax for the needy and poor Muslims and to perform Haj (pilgrimage) to baitullah (house of Allah) in Mekkah, both are among the five pillars of Islam. This injunction is a concrete evidence that Muslims must take the opportunity to be financially equipped to they can give Zakah and perform Haj and of course to widen his responsibility for further improvement of the Muslim society. This implies, further, that a person who wish to be true believers in God should not confine himself on religious matter but rather he should look, exploit and manage resources based on justice and acceptable laws.

Ideally, Muslims belong to Ummah Islamia. This Ummah is an ideological state which does not require socio-economic and political boundaries. Theoretically,

Muslims can travel and go from place to place in the Muslim areas without requiring them to seek passport and visa. Therefore, the presence of this Ummah indicates the global and universal nature of Islam.

The world can be divided into Darul Islam, the community of Muslims, and Darul Harb, the community of non-Muslims. But, the purpose of man's creation and the relations of the people regardless of their affiliation are basically enshrined in the Qur'an where Allah says:

> "*Verily we created you from a single pair, male and female, and made into nations and tribes, that you may know each other* " (Qur'an, 49:13).

It is noticeable in this verse that the purpose of the creation of tribe and nation is for them to have mutual understanding. To some extent, they must have mutual cooperation in all aspects of human society. This goes to show that the relations among nations in the areas of economy, politics, education and others as regulated by the International Law is basically enshrined in the Qur'an.

What makes the Islamic economic system so unique is its ability to produce consistent and progressive behavior on the part of the individual economic units. This is made possibly by the elimination of riba (usury) and the imposition of Zakah. Its collection makes it necessary for the wealthy to increase their savings but at least their amount of Zakah must be paid. The prohibition of usury makes it necessary for them to minimize resources held in liquid form.

Therefore, Islam is broader enough to encompass, and even in its area of economy, it cannot be written within a limited time frame. This quite true since Islamic economy includes the economy on trade, investments, industry, agriculture, fishing, and others.

Sources of Laws of Islamic Economy

Islamic economy is based on Shariah (Islamic laws). It literally means the road to a watering place, a clear path to be followed. It is a divine law and core of Islam. Its sources was outlined by Said Ramadhan (1970:33) and generally classified as Muslim jurists. He mentioned that sources are divided into two main categories:

1. Chief sources, including al-Qur'an (the Holy Book of Islam), as-sunnah (the authentic traditions of Muhammad, the Prophet of Islam), al-ijima (the consensus of opinion), al-qiyas (the judgement upon juristic analogy), and

2. Supplementary sources, including al-istihsan (deviation on certain issue, from the rule of precedent to another rule for a more legal reason that requires such deviation), al-istislah (unprecedented judgment motivated by public interest to which neither the Qur'an nor the Sunnah explicitly refer), al-urf (custom and usage of a particular society, both in theory and practice).

Ramadhan explained in detail the importance of these sources in order to have a thorough understanding and proper execution of Shariah. The Qur'an speaks some general principles of Islam and the details can be referred to the Sunnah (tradition) of Prophet Muhammad. Those things and problems which are not provided by the Sunnah can be referred to the Ijma (unanimous consent of the Muslim jurists) and to Qiyas (analogy).

Abdul Qader Audah (1982) also thought to say that Islamic laws and rules are of two categories. The first consists of commandments set down for religious and spiritual purposes. These include the rules of faith and worship. The second category comprises the rules and laws administering and organizing the State, the government and the community, as well as the relations between individuals and their communities. These include the rules of human behavior, penal laws, laws of civil status, constitutional laws, and others.

It is in this context that Muslims should know and implement the laws of God. Knowing His laws should be internalized so the believers must observe and execute. Arabani (1987) revealed that:

> *"Muslims, being the followers of Islam, have to surrender their lives totally to the rule of divine commandments. This comprehensive divine law is eternal, universal, perfect, fir for all men at all times in all places. It is a divine system of laws in its sources and primary rules. The plural Shariah which properly denotes all the individual prescriptions composing, what is regulated and provided in the Shariah is all Mashru, and anything connected with the cannon law, or anything in keeping with it, or legal is called Shari. In the latter system by Sharia and Shari is understood the totality of Allah's commandment relating to ethics (akklak) which are treated separately"*.

Shariah indeed is the frame of reference and basis (mansha) for the judgment of actions as good or bad and lawful (halal) or unlawful (haram). This is viewed from the theological aspects of Shariah, as God made law to govern the whole affairs of man, its commandments being considered high above human wisdom. In this conception, it is not a law in the modern sense. But Shariah in its broader meaning covers not only the law relating to religious practices (Ibadat), but also regulates the relation among men (Muammalat).

Arabia (1987) explained that:

> *"The main objective of the Shariah is to construct human life on the basis of Ma'rufat (virtues) and to cleanse it of the munkarat (cices). The term Ma'rufat denote all the virtues and good qualities that have always been accepted as "good" by human conscience. Conversely, munkarat denotes all the sins that have always been condemned by human virtues as "evil". In short, the ma'rufat are in harmony with human nature and its requirements in general and munkarat are just the opposite. The Shariah gives a clear view of these ma'rufat and munkarat and states them as the norms to which the individual and social behavior should conform."*

Shariah, therefore, enjoins man to be obedient and responsive in his human undertakings.

The Holy Qur'an

The original source of Islamic law is the Holy Qur'an, the final testament of Allah, revealed to Muhammad through Jabril by piece mail within the period of years for the guidance of mankind. The nature of the revelations is universal, eternal and fundamental.

The Qur'an consists of 114 Surah (chapters) in varying length. Its longest Surah al Baqarah (the cow) contains 282 Surah (Ayah) and the shortest ones such as Surah al Asr (the time), Surah al-Kawthat (abundance) and Surah al Nasr (Succor) have three ayat. Eighty six (86) of these surah were revealed at Makkah town know as al-ayah Makkah which are mainly concerned on religious matters such as Iman (faith), tawhid (monotheism), yaum al-akhir (the hereafter) and similar themes. Those which are revealed in Madinah are referred to as al-ayat al Madayinah and these comprise of legal injunctions, rules and regulations concerning interpersonal and family relations, the Islamic ummah, the principles of government, relations with non-Muslims, rules of war and peace and other commands (Barra, 1988).

The Qur'an embraces three broad classification of rules of ahkam. These are those pertaining to faith and beliefs (al-ahkham-al-I'tiqadiyya), those concerning morality and ethics (al-ahkham-al-khuluqiyyah) and lastly those concerning law of practical life governing man's deeds and actions in relations to God and his fellow human beings (al-ahkham-as-amaliyyah) which either relates to religious matters (al-ahkham-al-ibadat) such as prayer, fasting, zakah, and other transactions (alhakam almu'amalat).

According to Shykh Abdulwahhab Khillaf as mentioned by Narra, the Qur'anic ayat for the regulations of societal transactions are as follows: seventy injunctions for family laws, seventy for civil relations or transactions like sales, hire agency, deposit, thirty for criminal and penal laws, thirteen for procedural law, including jurisdiction and evidence; around ten for the relationship between the ruler (for the government) and the rules (or the citizens); around twenty-four for international relations including regulations for war and peace; and ten injunctions on economic and financial matters.

In view of the above, the Muslims believe that the Qur'an provides guidance in the formulation and implementation of policies of the government. Economic policies which are relevant to the needs and aspiration of the people could be made.

The Sunnah

Sunnah as a source of Islamic law refers to the exemplary conduct and works of Prophet Muhammad. It consists of thousands of dicta, commendations of certain actions upon different occasions. Its concept came perforce to have meaning of the living tradition in each succeeding generation.

Some jurists are of opinion that both the Sunnah and the Hadith (saying) were cosubstantial in the earliest phase after the Prophet. But Sunnah is to be distinguished from a Hadith, which is a narrative, usually very short, purporting to give information about what the Prophet said, did approved or disapproved, or of similar information about the companions. Therefore, the Hadith is something theoretical in nature, whereas the Sunnah is the same very report when it acquires a normative quality and becomes a practical principle for the Muslim. "Whereas Sunnah was largely and primarily a practical phenomenon, geared as it was to behavioral norms of religious beliefs and principles as well."

The questions as to why the Sunnah is a source of law is answered in the Holy Qur'an, which is a source enjoined upon the Muslim to follow the conduct of the Prophet. The Qur'an says:

> *And we have sent down to you (O Muhammad the Book (this Qur'an) in truth, confirming the Scripture that came before it and Muhaymin (trustworthy in highness and a witness) over it (old Scriptures). So judge among them by what Allah has revealed, and follow not their vain desires, diverging away from the truth that has come to you. To each among you, we have prescribed a law and a clear way. If Allah had willed, He would have made you one nation, but that (He) may test you in what He has given you; so compete in good deeds. The return of you (all) is to Allah, then he will inform you about that in which you used to differ* (Surah al-Maidah, 48).

The Qur'an asks the Prophet to decide the problems of the Muslims according to revelations.

Again, the Prophet has been declared to the interpreter of the Qur'an text. The Qur'an says:

> *With clear signs and Books (we sent the Messengers). And we have also sent down unto you (O Muhammad) the Dhikr (reminder and the advice, i.e., the Qur'an, that you may explain clearly to men what is sent down to them, and they may give thought (16:44).*

It is clear that the Qur'an mentions Salat (prayer) and Zakah (religious tax), but does not lay down their details in a practical form. Thus, the Qur'an directs the Muslims to follow the exemplary conduct of the Prophet. The Qur'an says:

> *Assuredly there hath been for you in the apostle of Allah an excellent pattern. (33:21).*

> *And whatsoever the apostle giveth you, take, and whatsoever he forbiddeth you, refrain from (59:7).*

> *Whosoever obeyth the apostle hath indeed obeyed Allah, but he who turns away, then we have not sent you (O Muhammad) as a watcher over them (Surah Al-Nisah: 80)*

And whosoever obeyth Allah and his Apostle, he had indeed achieved a mighty achievement (33:71).

Thus, the Sunnah became definite source of Islamic law. In an effort to give Sunnah which is supplementary source to the Qur'an and cannot supersede the Qur'an in case of their contradiction. Such contradiction implies that alleged Sunnah or Hadith is considered weak or false.

It seems it is necessary to present why the Sunnah is dynamic and capable of handling the present problems arising from the complexity of life. In a living community, a new moral tensions, various legal and administrative complications are bound to arise. In fact, many serious controversy arose in the theological and moral spheres of the expanding Islamic society. But the concept of the ideal Sunnah was retained; new material was thought out and assimilated, because the process of interpretation began both tacitly and explicitly with the companions themselves and various practical norms were deduced keeping in view of the rulings of the Holy Qur'an.

The Ijma

Ijma refers to the consensus either of the community or of the Muslim jurists. It is a principle of new legal content that emerge as a result of exercising reason and logic in the fact of a rapidly expanding society and human activity, such as the early Islamic one, begins with the companions and extended to subsequent generations.

The consideration of Ijma as one significant sources of Islamic law implies the vital role of man in human society. This goes to show that men of understanding must take the opportunity to make consensus on matter affecting the Muslim society. Thus, the Holy Qur'an and the Sunnah justifies this Ijma as a dynamic source. The Qur'an says:

It is this that we have made of you a nation of this right Men (2:137)

This verse shows that right men and men of understanding are made by God responsible to think over on the socio-economic and political problems affecting the Muslim society.

The Prophet is also reported to have said: "My people shall never agree on the error". This means that those people who are men of understanding shall only agree on the right way and truth.

Ijma is a source of law is intended "not only for discerning the right at present and in the future, but also for establishing the past". It was Ijma that determined right interpretation of the Qur'an. Both the Qur'an and the Sunnah were therefore authenticated through the Ijma.

Therefore, Ijma is the most powerful factor in solving the complex belief and practice of the Muslims in the modern times. At a given period of time it has supreme functional validity and power. If verdict is final, it is final only in a relative sense.

Since Ijma has the potentialities of assimilation, modification and rejection as per requirements of the modern life.

There are points which have been universally accepted and agreed upon by the entire community. This ijma is obligatory in nature, and therefore, it is known as the Ijma of the community. On the other hand, there are particular rules which are agreed upon by the learned of a certain region. This is known as the ijma of the learned which may be used as a mechanism for creating a sort of integration among the various opinions which arose as a result of the individual legal activities of jurists. Ijtihad means putting forth every effort to determine with a degree of probability a question of the Shariah. The legal effect of it is that the opinion rendered in probably right, though there is the possibility of error. Obviously, the fundamentals of religion of Islam like oneness of Allah, the sending of Prophets, etc, cannot properly constitute a subject of Ijtihad.

According to Al-Mawardi, the scope of Ijtihad after the Prophet's death includes eight separate heads. Seven of these consists in the interpretation of the revealed texts, by some method such as analogy, and the eight is the derivation of a meaning from other than the revealed texts, e.g., by reasoning. It follows that Ijtihad believes partly in analogical deductions by reasoning. With the march of human civilization our life is, on the other hand, become complex day and new social and moral problems that emerges in the society from time to time require solution. On the other hand, the mental and intellectual horizon is also widening with the advance of human knowledge. The result is that Islamic law developed with the emergence of the new problems since the days of the Prophet and was created and recreated, interpreted and reinterpreted in accordance with the changing circumstances.

The Qiyas

All the four schools of jurisprudence (i.e., Shafii, Maliki, Khanafi and Hambali) agreed that, in matters which have not been provided to by a Qur'an or Sunnah text, nor determined by consensus of opinion, the law may be deduced from what has been laid down by any of these three authorities by the use of Qiyas, which is generally translated as analogy (Abdul Rahman, Mh. P.138), its spheres a very wide one, since it seeks to fulfill all the requirements of the Muslim community which are not met in the Holy Qur'an and the Hadith. These demands by various methods, technically known as Qiyas (analogical reasoning), Istihsan (equity) Istislah (public good) and Istidlal (inference). The most important of these methods and one which has almost in universal sanction is Qiyas (Muh Ali, the Religion of Islam, p. 104) which, then is a particular form of Ijtihad, the method by which the principles established by the Qur'an and the Sunnah, and Ijma are to be extended and applied to solution of problems not expressly regulated therein Qiyas must have therefore its starting point in a principle of the Qur'an, Sunnah, Ijma and cannot be used to achieve a result which contradicts a rule established by any of these three primary source.

Qiyas, therefore, means measuring by or comparing with, or judging by comparing with a thing. In legal terminology, jurists apply it as process of deduction by which the law of the text is applied to cases which, though not covered by the language, are governed by the reason.

Resource Abundance and Trust

Islam does not believe on the scarcity of resources; they are abundant, i.e., water, air, soil, etc. They are God creatures on earth for the utilization and exploitation of man for human consumption. Poingan (2000) revealed that “Islam believes that God provides everything that men need, but it is men who make the resources scarce”. As an example that gas is a basic necessity and is abundant. But it is the man-made process of conversion of gas to differenr forms makes gas scarce.

The abundance of God creatures which are the human resources are left to man’s capability and ability to manage and exploit. Management and exploitation of such resources are regulated by the Shariah in order to make them useful according to the will of the creator. Man to act as Khalifah, a vicegerent of God on earth, not as owner. He is just a trustee (amin). While this trusteeship (amanah) does not mean “a negation of private property”, it does carry a number of every important implications which create a revolutionary difference in the concept of private ownership of resources in Islam and other economic systems. Chapra (1975) presents the following understanding and observation.

1. The resources are for the benefits of all and not just a few (Qur’an, 2:29). They must be utilized equitably for the well being of all.

2. Everyone must acquire resources rightfully, in a manner indicated by the Qur’an and the Sunnah. Acting otherwise which constitutes a violation of the terms of Khalifah.

3. Even the resources so acquired, should not be disposed of except in accordance with the terms of the trust, which are the well-being not only on one’s own self and family but also that of others. It is not becoming for man as a trustee to be selfish, acquisitive and unscrupulous, and to work merely for his own self and family but also that of others.

4. No one is authorized to destroy or waste God-given resources. Doing so has been equated by the Qur’an with the spreading of fasad (mischief, viciousness and corruption), which God abhors (2:205).

Accordingly, when Abu Bakr, the first caliph, sent Yasid ibn Abi Sufyan on a war assignment, he urged him not to kill indiscriminately or to destroy vegetation or animal life even in enemy territory. If this is not allowed even in war and enemy territory, there can be absolutely no room for destroying production. This keeps our understanding the value of God’s creatures. Though they are abundant but they must be preserved and used accordingly.

Since Islam believes on the abundancy of resources, man has to continue seeking knowledge to enrich his acquired capacity in exploring, utilizing and exploiting such resources for the benefit of the people and the society.

The abundancy of resources has to be shared because not a single place or country has the monopoly of all the resources. Thus, an individual, family, tribe or

nation has to deal with justice and help with one another in various forms of human activities so they may be able to live harmoniously and peacefully.

Trade, Commerce and Industry

It was mentioned earlier that trade, commerce and industry are not the only aspects of Islam and they are discussed considering the specific objectives and the time frame of the study.

In the observance of Islam and its socio-economic and political system, Prophet Muhammad has been considered as a model. When he was called to prophethood, he propagated Islam to the people of Mecca until he finally established the Islamic society in Madina and from there Islam spread throughout different sectors and places in the world. The spread was primarily due to its nature and teachings which makes the believers to work for both spiritual and material development on the basis of justice (adala) and good conduct.

The value of economy in particular is indeed mentioned in the Qur'an and in the Hadith. Allah says:

> *When the prayer is finished, then disperse ye through the land and seek the bounty of God (Qur'an, 12:10).*

The Prophet said:

> *When you finish your morning prayer do not sleep until you strive for your livelihood.*

> *Earning of lawful livelihood is a duty next in importance to the duty (of prayer)*

The Qur'anic verse and prophetic sayings reinforce the need for the Muslims to work for their economic subsistence. This implies that lawful works and activities for human livelihood, including trade, commercial partnership, cooperatives, joint stock companies are appreciated in Islam. It is not a mere optional but the search for economic subsistence has become an obligation of individuals.

Key Principles in Economy

Economic activities and operations should be designed and done to ensure that they will be carried on truthful, honest and beneficial activities. The Prophet said:

> *The truthful honest merchant is with the Prophet and the truthful ones and martyrs.*

This prophetic saying reiterates that a businessman must be truthful, honest, just and obedient. Un-Islamic acts in business transactions would have been eradicated if these principles were observed by the business community.

Contrary to these principles, however, among businessmentraders are doing excessive swearing; counterfeit and measure; and does not have good will in business transactions. These practices are observable in the market, even in the Muslim societies today. The ulama being the warasah anbiyyah (successors) of the prophets are working for the eradication of the un-Islamic practices in various channels but still these practices persists among businessmen.

Businessmen when they engage in business activities must be truthful. They have to avoid excessive swearing. Abu Hurairah, one of the Sahaba (companion) of the Prophet said: I heard the Prophet saying: “The taking of oaths makes the commodities sell, but it obliterates the blessing (therein)”. Again, “it is related on the authority of Abu Darr who narrates hat the Prophet of Allah said: “Allah will neither speak to, nor obsolve from the impurity of their sins three type of persons: they shall a grave chastisement”. Abu Dharr inquired, who are those persons, O Prophet of Allah. The Prophet replied, “One who displays his affluence by letting his trousers fall below his ankles, who is ever conscious of his obligation done to others, and one who sells out his goods by means of false oaths”. The Prophet forbade the traders to indulge in excessive swearing. He is reported to have said “Oaths promote the sale but the blessing vanishes” (Al-Bukhari).

Businessmen must also be honest and just. In fact, Islam dislikes businessmen to give incorrect weights and measures in their business transactions. The Qur’an stresses honesty and justice in all measures of value.

> *Woe unto who give short measure, those who, when they take by measure from other people, take it full, but when they give measure to others or weight out to them, they give them less. Do not such people know that they will be raised again unto a terrible day, the day when mankind will stand before the Lord of the worlds (IXXXIII: 2-3).*
>
> *And give full measure and weight justice (6:152)*
>
> *And when you measure, give full measure and weigh with the correst balance. This is better and in the end beneficial too (Al-Asra, 35).*

These measures apply not only to individuals but also to society and the state and need not be confined merely to conventional weights and measures. They should encompass all measures of value.

Businessman also must be obedient to constituted agreement. In fact, Islam condemns businessmen not to abide with the terms and conditions of the business accord in business transactions. The Holy Qur’an advises the believers to have good relations in business, thus, all contracts must be reduced to writing, and setting out all the terms thereof, as this is more equitable in the sight of Allah and makes testimony surer and is more likely to keep out of the terms agreed upon fairly, and as a further perception it is laid down that the terms of the contract shall be dictated by the persons who undertake the liability. If the person on whose behalf the liability is undertaken is a minor or of unsound judgment, then his guardian or the person representing his interests should dictate the terms of the contract.

In Islam, trade and commerce differ basically from the modern conception. Islam is coupled with moral and ethical values of life. So, all business transaction which are opposed to beneficence cannot be Islamic in character, and the Islamic state has very right to curb any transactions or practices which seek to take advantage of the need or distress of the poor people. Poingan (2000) affirms that “the basic principle of Islamic trading is fairness, and there must be accountability and transparency between the lines of business communication and transactions”.

Business Monopoly

Islam adheres that Islamic state must control the monopoly either by passing laws or by comprehensive economic planning. It is not the monopoly of certain corporation and manufacturer. Poingan (2000) said that “monopoly is one of the highest sins in Islam because resources are supposed to be shared to everyone. He added that the State should have a coercive power to curtail monopoly of prime commodities”.

But, monopolist in non-Islamic society usually charges a higher price for his output or product as monopoly suggests the feeling of concentration of supply. The prevailing inquiry of exploitation is very much related with the idea of monopoly. The competitive producer maximizes his profit by equalizing marginal cost of price. Since the price is given, he would go on producing more and more until his marginal cost becomes equal to price. In the case of monopolist, however, the marginal revenue is not equal to but is always less than the price. Since the demand for his product is less than perfectly elastic, the monopolist can expect to sell increasing output at lower and lower prices. If he produces more, his total income increased since the price of the additional unit will be added to his total income.

Thus, poor consumers and work people and even society as a whole have come very badly out of such monopoly dominated economic order – an order which has displayed a lack of harmony between private and social interest and between private and social order. The point we are making here is that monopoly – dominated economic order is the negation of the principle of maximum social advantage which is an Islamic state aims to realize.

Hoarding

Hoarding of savings has also been condemned by the Qur’an as well as the Sunnah. God given resources are meant to be utilized for the benefit of mankind. They are considered abundant and trust. Leaving them idle and not using them for rightful consumption or for fostering the common good through welfare contributions (zakat, sadaqat, and other such payments) or productive investments has been condemned by Islam. The Qur’an says:

> *And there are those who bury gold and silver and spend them not in the way of God; announce to them a most grievous penalty (9:34).*

This Qur’anic verse is also reiterated by Prophet Muhammad when he disapproved of leaving productive resources idle, saying: “Let him who owns land cultivate it himself, and if he does not do so let him have his brother cultivate it.” This

goes to say that the development of land and the productive investment of savings is necessary for meeting the needs of the Muslim society for essentials and comforts and doing this is certainly an act of virtue in the Islamic value system.

Speculative Business

Islam also condemns speculative business. This is the phenomenon of buying something cheap at one time and selling the same at another time. It happens that when the future price is expected to be higher than the present price, speculators purchase huge volume of goods and commodities in order to sell at a higher price in the future. Similarly, if the future price is expected to be lower than the present, speculators will sell now in order to avoid selling at a lower price in the future. Speculators, it is claimed, confer great benefit to consumers and manufacturers, since the effect of the activities is to smooth out all price difference and to raise present price to the level of future prices.

If speculation renders social service by helping production and controlling the sudden fluctuation of price, it is in line with the spirit of Islam. But a close observation reveal the fact that speculation is primarily interested in private gains regardless of the interest of the society. Since "perfect speculation tends to destroy itself." Most of the speculators, by adopting unfair means, try to create artificial scarcity of goods and commodities and thereby create an inflationary pressure on the economy. The poor masses have to pay for it. Islam has condemned such speculative business from the angle of view of beneficence. Thus, it is related on the authority of Ma'mar who reported that the Prophet said: "He who accumulates stocks of grain during the shortage of it (with a view of profiteering later) is a great sinner" (Muslim and Muskhat). Again, Umar reported: the Prophet said: "One who imports grain from outside and sells at the market rate his maintenance is blessed, while he who withholds grain from sale in view of estimated dearness in the future, he is thrown away from God's pleasure." Thus, withholding of grains and other commodities to raise their artificially as well as Najsh or deceiving a purchaser through a third offering a higher price is prohibited in Islam (Tirmidhi).

Islam has tried to discourage speculative business by giving the whole problem a moral bent. Several attempts were being made to control speculative business even in the control speculative business.

In order to bring actual prices, the government should set up an agency which would make an estimate of proper prices, and use its resources. If need be, the Islamic state will have to evolve such a system so the poor people, nay, unscrupulous speculators. Modern secular state failed to solve the problem in spite of their best efforts. The principle of Islamic economy, therefore, stand for a happy blending of moral and material values.

Islam does not give any encouragement to forward transactions, a business transaction in a manner that commodities have to be sold in a lower price with an intention to disrupt the trade cycle is harmful to society which eventually cause great disruption in the present capitalistic system. Therefore, Islam has warned its followers against indulging in forward transactions. Ibn Umar reported: The Prophet said, "whoever buys cereal he shall not sell them until he obtains his possession". Again, it

is related to the authority of Hakim bin Hiam who reported: “Bargain not about that which is not with you.”

Usury or Riba

Among the most important teachings of Islam for establishing justice and eliminating exploitation in business transaction is the prohibition of all soruces of “unjustified” enrichment (Chapra, 1995:55). The Qur’an emphatically instructs Muslims not to acquire each others’ property wrongully or bil-batil (2:188). One of the important sources of unjustified earning is receiving any monetary advantage in a business transaction without giving a just counter value. Riba represents in the Islamic value system a prominent source of unjustified advantage (Chapra, ibid).

Usury or riba literally means increase, addition, expansion or growth. It is, however, not every increase or growth which has been prohibited by Islam. In the Shariah, riba technically refers to the premium that must be paid by the borrower to the lender along with the principal amount as condition for the loan or for an expansion in its maturity (Chapter, 1995:56). This is observable in a place or country like the Philippines whose economic system has been influenced by capitalism. Usury or riba is mentioned in the Qur’an, Hadith and Fiqh (Islamic jurisprudence). Among them are presented below.

Among the verses in the Qur’an:

> *That which you give as interest to increase the people’s wealth increases not with God, but that give in charity, seeking the goodwill of God, multiplies manifold (30:39).*
>
> *And for their taking interest even though it was forbidden for them, and their wrongful appropriation of other people’s property. We have prepared for those among them who reject faith a grievous punishment (4:161).*
>
> *O believers, take not doubled and redoubles interest, and fear God so that you may prosper. Fear the fire which has been prepared for those who reject faith, and obey God and the Prophet so that you may receive mercy (3:130-2)*
>
> *Those who benefit from interest shall be raised like those who have been driven to madness by the touch of the devil, this is because they say “Trade is like interest” while God has permitted trade and forbidden interest. Hence, those who have received the admonition from their Lord and desist, may have what has already passed, their case being entrusted to God, but those who revert shall be inhabitants of the fire and abide therein forever (2:275)*
>
> *O believers, fear God and give up the interest that remains outstanding if you are believers (278).*
>
> *If the debtor is in difficulty, let him have respite until it is easier, but if you forgo out of charity, it is better for you if you realize (2:80).*

The principal reason why the Qur'an has delivered such a harsh verdict against riba or interest is that Islam wishes to establish an economic system where all forms of exploitation are eliminated, and particularly, the injustice perpetuated in the form of the financier being assured of a positive return without doing any work or sharing in the risk, while the entrepreneur, inspite of his management and hardwork, is not assured of such positive return. Islam wishes to establish justice between the financier and the entrepreneur.

Under these circumstances, it is difficult to see how anyone could justify interest in an Islamic society. The difficulty to understand the prohibition comes from lack of appreciation of the whole complex of Islamic values and particularly its uncompromising emphasis on socio-economic justice and equitable distribution of income and wealth. Any attempt to treat the prohibition of riba as an isolated religious injunction and not as an integral part of the Islamic economic order with its overall ethos, goals and values is bound to create confusion.

Among the Ahadith or saying of the Prophet Muhammad:

The receiver and the payer of interest, the one who records it and the witnesses to the transaction are cursed and they are all alike (in guilt).

A dirham of riba which a man receives knowingly is worse than committing adultery thirty six times.

On the night of ascension I came upon the people whose stomachs were like houses with snakes, visible from the outside. Asked Gabriel who they were. He replied that they were people who had received interest.

Riba has seventy segments, the least serious being equivalent to a man committing adultery with his own mother.

God would be justified in not allowing four persons to enter paradise or to taste its blessings; he who drinks habitually, he who takes riba, he who usurps on orphan's property without right, and he who undutiful to his parents.

Chapra (1995) cited Abd al Rahman al Jaziri's al Fiqh 'ala al_Madhabib al-Arbah, is a compendium on the juristic opinions of the four predominant schools of Muslim jurisprudence. It is held in high esteem and considered to be an authority on the subject. Given below are some relevant excerpts from this book on the subject of riba (usury).

On definition and classification, riba is one of those unsound (fasaid) transactions which have been severely prohibited (nahyan mughllazan). It literally means increase. However, in fiqh terminology, riba means an increase in one of two homogenous equivalents being exchange without this increase being accompanied by a return. It is classified into two categories. First, riba al-nasiah where the specified increase is in return for postponement of, or waiting for, the payment. For example, buying an irdab (a specific measure) of wheat in winter against an irdab and a half of wheat to be paid in summer. As the half irdab which has been added to the price was not accompanied by an equivalent value in the commodity sold and was merely in

return for the waiting, it is called riba al-nasah. The second category is riba al fadl, which means that the increase mentioned is irrespective of the postponement and is not offset by something in return. This happens when an irdab of wheat is exchanged hand to hand for an irdab and a kilah (another measure) of its own counterpart, the buyer and the seller both taking reciprocal possession, or when ten carats of gold produced are exchanged for twelve carats of similar gold produced.

Riba has been construed to be illegal interest from the standpoint of Islam. Indeed, Manan (1987) mainly make an attempt to differentiate trade and usury from the Islamic point of view.

1. It is risk taking which differentiates trade from interest or riba. Risk taking the basis for normal trade which is not allowed in Islam while interest is fixed and does not fluctuate like profit.

2. When capital invested in trade brings profit, it is the result of initiative, enterprise and efficiency. This is not true in the case of interest, because the creditor gets for himself a definite amount of money for his loan regardless of loss or profit to the debtors and investors.

3. In trade, the moment a commodity is exchanged for its price, the transaction comes to an end. The purchaser does not give anything after that transaction to the vender. But in interest dealings, the creditor does not cease to demand his interest (as long as the principal is not returned). Thus, there is a limit of profit which one may expect from trade but there is no such limitation in the case of interest due to the creditors.

4. Since trade is productive and a person derives benefits from undergoing labor, hardship and skill, it creates the conditions of full employment and economic growth. The harmful effects of interest during the Great Depression of 1929-1933 was so deep that economists of capitalists countries were force to discard the classical economic theories and develop new ones advocating for the elimination of interest from their economic institutions.

5. The last, not the least, point is that trade may act as one of the dominant factors in the process of building of civilization through cooperation and mutual exchange of ideas. But interest creates in man the undesirable weaknesses of miserliness and lack of sympathy. Thus, from the economic and ethical standpoint, interest uproots the very foundation of humanity and mutual help and stands in the way of full employment and economic growth. But trade in an Islamic state is a boon to society.

Barter Trade

Islam recognizes barter trade as it has tried to impress upon the traders that defective and worthless goods or articles should not be given in exchange for good

ones. If there is a defect in the thing sold it must be made clear to the purchaser. Thus, Hakim Ibn Hizam reported: Prophet Mohammad (may the blessing of Allah be upon him) said: "The buyer and the seller have not separated; then, if they both speak the truth and make manifest, their transaction shall be blessed, and if they conceal and tell lies, the blessing of their transaction shall be obliterated" (Bukhari).

Before the advent of Islam with Prophet Mohammad, two kinds of sale prevalent which the purchaser was deprived of the occasion to examine the thing purchased, were made unlawful. In fact, goods and commodities for sale should go into the open market, and the seller or his agents be aware of the state of the market before proposals are made for the purchase of goods or commodities in bulk. He should not be taken unaware lest advantage be taken of his ignorance of the state of the market and the prevailing prices. All this is very clearly laid by the Prophet.

Again, trade in idols and things which are forbidden as food as swine, and that which dies of itself, is disallowed (Bukhari's compilation). Islam has come to exterminate idolatry and hence it could not allow trade in idols. As regards things forbidden as food, a Muslim has evidently nothing to do with them and he cannot be allowed to carry them to other people. But as there is an expressed direction that the skin of the dead animal should not be thrown away and advantage should be derived there from (Bukhari). Trade or barter trade in it is obviously lawful and the same rules may be allowed in other things prohibited as food, such as the bones and fat of the dead animals, etc.

International Trade

This paper discusses some aspects of internal and local trade and commerce from the Islamic perspective. Let us now widen our discussion to include international trade in Islam.

The prophet of Islam, Muhammad s.a.w., had engaged in trading and commercial activities in nearby places in Mecca during his time. His honesty and sincerity impressed Khadijah, among the wealthy person in Mecca at that time who eventually decide to acknowledge Muhammad as her husband after seeking advise from his uncle Abu Talib. After his demise, his Sahaba (companions) went to different places of the world to participate in trading activities and at the same time propagating Islam through their best utterances and behaviors. This economic activity continued by the Muslim Moors in Africa Manan (1987) revealed that:

> *"Muslim Moors used to have an innebse trade with the Levant from Barcelona and other places. There were factories and consuls on the Tanais and great was maintained with Constantinople. It reaches ports of India and China and extended along the African coast as far as Madagascar. It is interesting to note that in the middle of the eight century when Europe was in the dark ages, others were writing treatises on the principles of trade and commercial laws and rates".*

Islam has motivated international trade, not only for economic cooperation, but also for establishing a universal brotherhood through mutual exchange of ideas

and knowledge. No doubt, different rates and techniques existed among the Muslim trade areas for an efficient working of economic and commercial transactions. These rates and techniques are bound to change with the changing circumstances and time.

Islamic system stands for free trade and believes that each country will produce those goods for the production of which it is specially suited on account of its natural or acquired advantages, and produce more of them that it requires for its own needs, exchanging the surplus with other countries against goods which it is less suited to produce, or which it cannot produce at all. In other words, Islam believes in the eternal doctrine of comparative costs- the very foundation of international trade. But if the present day imperfect and healthy competition in the field on international trade as well as greater national interests of underdeveloped Muslim countries of the world are taken into consideration, we are to support a policy of protection for an Islamic State.

In fact, the introduction of customs duties and tolls owes its origin to the fact that during the reign of Caliph ‘Umar the neighboring countries with which the Islamic State had to raise high tariff walls against dumping, especially if it affects its own industries.

Industry

Industry is not only lawful vocation in Islam but according to scholars it is a social duty also, in the sense that the Islamic society should be self-sufficient in industrial and technical talent. When there is a paucity of workers in any sector of industry, the society suffers and therefore, the whole society and especially its authority and administration must be held guilt of a sin (Abdul Hai, nd.).

Imam Ghazali (may Allah show his mercy) revealed that “the practice of all branches of knowledge which are necessary for worldly life is a social duty. For instance, medicine which is essential for the preservation of body; and mathematics which is necessary for carrying out transaction and execution of wills or distribution of inheritance. If the practitioners of these branches of knowledge are not available in a city, the citizens will suffer. When a person starts practice in any of these branches of knowledge, he in fact relieve others of this essential social duty.

The Holy Qur’an refers to several industries as blessings. In respect to Hadrat Dawood it is said:

> *“Annas assuredly we give David grace from us, (saying): O ye Hills and birds, echo his psalm of praise! And we made thee (thereof). And do ye right, Lo! I am seer of what Ye do.” (Qur’an, Saba: 10-11). And we taught him the art of making garments to protect you in your daring. Are ye thee thankful”. (Prophets: 80).*

Similarly, the Qur’an mentions the building of high wall by Dul-Qarnain and the making of a boat by Prophet Noah. Many Surahs refer to various forms of game such as catching fish or other marine animals and hunting land animals besides diving for the extraction of pearl and coral. Above all, the Qur’an laud the value of iron, which no religious on secular books had done before, says the Qur’an:

And he revealed iron, where is a mighty power, and (many) uses for mankind (Al-Hadeed: 25).

Any vocation which fulfills a social need and has a genuine social value falls under the definition of "righteous activity", provided that the professional performs his duty, honestly and competently, as enjoined by Islam.

Islamic Concept of Price

Price is changeable according to the existing reality. Its regulation usually becomes controversial either from the purely analytical viewpoint or from the Islamic point of view. In Islam, the urge for the control or regulation of price should come from "within" the community.

In monopolistic competition, we are used to give undue emphasis on the doctrine of marginal concept thereby understanding the role of infra marginal units of production. In the Islamic theory, we are more inclined to accept of average rather than of margin.

Fair price is snot a concession but a basic enforceable by the law of the State. Once the reorientation of State attitude has been accomplished the actual fixation of price would be matter of correct adjudication because of fundamental basis of the Islamic theory of price is the principle of cooperation and healthy competition instead of monopolistic competition under capitalistic economy. Here, by healthy competition I do not mean perfect competition in the modern sense of the term but a competition free of speculation, hoarding, smuggling, etc. However, once the normal price is determined through consensus of opinion the question of State control arises only in relation to that "norm". In order to create conditions for proper cooperation between producers and consumers in the long run, what is needed is to inject them the spirit of Islamic values and code of business conduct through systematic education. An Islamic State will have to assure that the complaints on price would be heard. If need be, the consumer's power to recommend revocation of business license has to be recognized.

The Islamic concept of price precludes any type of exploitation either from the producer's side or the consumer's side. The necessity of educating people under the State patronage and control with a view to harmonizing the dictates of Islamic social justice with the demand of producer's incentive. However, to keep the level of the basic necessaries of life within the reach of common man, an Islamic state must take a number of policy decisions and resolution so that farmers get the due price of their produce. There is a need for the conduct of seminars or discussions between producers and consumers under State patronage with the clear objective of imbuing them with an Islamic code of transactions, and long term measures.

Islamic Banking System

Islamic bank is an economic institution which is also responsible for the economic development of the people. As an institution, it should mobilize economic resources so they can be used properly for general welfare of the Muslim Ummah Chapra (1995) explained:

The banks would be playing an important role in economic development and the general welfare of Muslim ummah if they could make the resources mobilized by them available, either directly or through the non-bank financial institutions, to entrepreneurs, who have the potential of putting them to productive use.

This shows the crucial role of Islamic bank for socio-economic development. This bank can take the opportunities to provide financial assistance to traders and industries to prevent economic crisis and emancipate people from poverty. This is relevant considering the prevailing economic problems of some societies under the impact of the inflation and the imbalance of trading activities favorable to the developed and industrialized regions or countries.

Islam is dynamic and progressive force, and it is quite possible to prove that the Islamic conception of banking system is superior to modern banking system. Its nature, short and long term financing system guarantee, consumption loan, relation with depositors, relation with entrepreneurs, partnership between businessmen and bank non-banking service, extra banking activities and Baitul mal are briefly explained below.

Nature

Islamic banking is based on the principle of partnership which is free of interest. So, the charging of any interest from others does not arise and should not be observed by the Muslim believers. In Islamic banks there may be two types of deposits. The first type is the one that can be withdrawn any time even without notice. The second type of deposits cannot be withdrawn without notice.

Manan (1987) explained that "this type of deposits is for safe depositing only not for investment in any productive activity where risk is involved. In the case of such deposits, the Islamic bank may recover (religious tax) and service charges. This taxation on idle funds is justified, because it checks the tendency to hoard cash in the idle form and provides a stimulus for investment in productive activities.

The second type is that depositor could not withdraw his funds without notice because the funds may be invested in productive affairs on short basis. The bank will not charge anything from these depositors, rather, they will be allowed to share the profit or loss of the bank at the end of the financial year in a form similar to that of dividends.

This goes to show that the Islamic banking system operate for public welfare because it actually prohibits Riba or excessive rate of interest. Manan (1987) pointed out that:

The Islamic bank can raise funds, if need be, by inviting investment for a period from one year to five years or more. In an Islamic state, investment certificate holders will be eligible to share the profits of the bank proportionately in the form of dividends which may be worked out at the end of the financial years. Therefore, the profit that depositors may able to receive is the effect of the investment.

This system of depositors is not the way how it is being observed in the Philippines. The banking system in the country may be conceptualized according to the doctrines of capitalism in which the depositors are expected to receive interest. The amount of interest depends upon the amount of the deposits. In Islamic bank, certain amount of Zakah shall be deducted from the deposits which are classified as surplus fundsmoney of the depositors. This is enjoined upon the rich intended for the poor (fakir) and needy (miskin).

Financing and Loan

Financing should be provided to promote employment and economic well-being in accordance with Islamic values. It is quite significant because among people who are needy and poor are willing to avail on financial supports and loan. But, Islamic prohibits usury in financing and loan. So, financial institution is not profit oriented its objective is to serve the general welfare of the people.

Financing of industry, trade and agriculture in particular can be made into short term and long terms loans. Chapra (1987) discusses that:

> *All financing is not amenable to profit sharing, for example, call loan and oversight loan, day loans, or loans of very short, it is generally felt, it is not possible to have profit sharing so arrangement because of the difficulty of determining profit for such short periods. On the other hand, financing can also be made by the Islamic bank on partnership basis. In this respect, the Islamic bank makes itself directly liable both to those who keep their funds with it and to those who borrow funds from it.*

The importance of financing through the Islamic bank and the prohibition of usury is also explained by Manan (1987):

> *Even a more important function of the Islamic commercial bank is that it can create credit. Islam has prohibited the charging of usury or interest. This does not mean that Islam does not allow financing of trade or industry on credit. Though there is a tendency of the banks to expand credit far beyond the limits of their reserves at times of prosperity and vice versa, yet business management contract allowed under Islamic code will be able to check the factors that shake economic stability and set successive economic arises in motion.*

Loans provided by ordinary deposit are often given on short term basis not exceeding two years. Since most of their borrowed funds are payable on demand or at short notice, they dare not lock them up in long term loans and investments. This type of bank has a special liquidity problem which governs its choice of investments. Thus, possession should not be chosen merely according to the principles of profitability and security. More significant is the liquidity timing of the assets with respects to the time structure of the liabilities. Therefore, it is recommended that specialized credit institutions like industrial or agricultural development hanks and the like may be developed for long term financing of trade, industry or agriculture as the case may be, on partnership basis. The bank and the other party may work out the ratio of the profit

and the loss based on the amount of funds and on the length of period advanced in accordance with Islamic system.

The importance of loan for genuine requirements of the individuals can hardly be overestimated. Loans are more or less unproductive in nature, though their influence on the productivity of the community has direct bearing in so far as it stimulates production and supply. But as they do not produce any direct income, hence, it may not be attainable for the Islamic bank to lend money for such loans on partnership basis. Such loans can be made either by people's accredited cooperative or by some government credit agency. In the Philippines, this can be done by the Amanah Islamic Investment Bank to take the opportunity to realize its origin and nature of creation.

Loans must, of course, be granted against the deposit or assets owned by the borrowers. The bank charges will be borne by the state like the charges of hospitals, orphanages and other public utility institutions, as, for instance, universities, etc. So in the Islamic social set up, the state is forced to tax all deposits and credit balances to meet its charges. People will not find it difficult to bear this burden of taxation since, on account of free service, trade, commerce and industry will flourish.

Therefore, Islamic government provides institutions and agencies who should grant financing and loan without interest.

System Guarantee

Islamic bank can develop it system guarantee. This aims to safeguard financing, loan and other services of the bank. This guarantee may induce private capital to move into other places, because the flow of private capital in Muslim areas has always been insufficient in relation to the end towards external assistance. The bank's guarantee may assist the industrialist of small scale industries in providing tools and equipment. It may be directed to other useful economic endeavors and enterprise. This, therefore, ensures full scope of development and strengthen the economic base of democracy because it creates opportunities for employment.

In the absence of system guarantee, the bank can hardly ensure financing and loan for industrial and agricultural sectors for economic growth and development. In effect, the prevalent of economic crisis has taken place and therefore industries and economic institutions could not offer employment to labour force through out the year.

Relations with Depositor and Entrepreneur

Depositors shall be deemed to be capitalist and the bank the absolute operator in the sense that it will be entitled to appoint agents for the investment of its deposit money. Some of these investments may achieve great success, others turn out to be moderately successful, and others, of course, prove a failure. It follows that in allotting funds the banks have to judge as to whether the particular type of trade or not, and can judge his customary and thereby provides a check on expansion of those types of trade and industries which are likely to be uneconomic in the long run and undesirable from the social angle of view or involve too much risk which cannot be

calculated with reasonable accuracy. The Islamic bank, by putting a check on the undesirable investment, can render and does render a great service in fostering economic development on most sure and second lines. The need for his direction of investment arise from the fact that in all Muslim countries are very limited compared to the need of carrying out vast development programmes (Manan, 1987).

On the other hand, Manan (1987) explained the relationship between the bank and the mudarib (entrepreneur) that the bank in each financial year would compile a balance of all such profits and losses, and the ultimate balance remaining after the bank's general expenses are met, including salaries, wages and reserves, will be shared between the bank and the depositors in line with the relevant agreement. The bank's own share will then be distributed to the shareholders in proportion to their respective shares. Thus, the principle of partnership is similarly observed in this manner.

Partnership Between Businessmen and Bank

It may be argued that businessmen might refuse to take the bank as a partner. Small businessmen who do not want any loan from the bank for carrying out their internal or inter regional trade, might be left free and they might not be allowed to become partners with the bank. But in the case of international trade and commerce, businessmen cannot refuse to take nationalized banks as partners. Because comprehensive economic planning for the exploitation of the economic resources is allowed under Islamic socialism and the entire commercial policy which influence both exports, will be dictated and guided by the state. No doubt, under the Islamic scheme of society, there is not much room for the capitalist trinity – sovereignty of the consumer, tyranny of the price system, and quest for huge profits. Here the economic architects generally would determine what use is to be made of limited resources and, therefore, to some extent impair the sovereignty of consumers. Thus, the question of investing money in a joint stock company by depositors directly instead of depositing money in the bank does not arise at all. Islamic economy is a good substitute for the allocation of economic resources which in capitalist system is determined by prices and income, and related in turn to consumer's sovereignty and decision made by innumerable businessmen who are responsible for either over production or under production. In these circumstances, businessmen would be tempted to cooperate with the banks to get the free banking services and to reap the benefit of keen business outlook and financial experiences of the banks. So practicability and feasibility of partnership between businessmen and the bank can hardly be challenge (Manan, 1987).

Banking Service and Activities

It is noticeable that all banks in the modern time, besides the primary functions of receiving deposits and lending money also performs many other functions of considerable significance to economic development. These services- both agency and general utility services- were originally undertaken to facilitate the clients, but being profitable have now been adopted by all the bankers all over the world. Manan (1987) explained further that the agency services rendered in the modern bank mainly consist of buying and selling of stock exchange, securities, making and receiving payments for rents, subscriptions, dividends, college and school fees, and acting as trustees,

executors and attorneys and serving as correspondents and representatives. The general utility services are of many varieties. Of these the most important are receiving of valuables for safe custody, transacting the business of foreign exchange, underwriting of stocks and shares, acting as referees and so on.

The social utility of these services lie in the fact that the banker saves the customer's valuable time and energy by undertaking these functions and the bankers not only enable their customers to have knowledge of the trends of business situations but enable them to have a deal with the parties concerned with dependable knowledge about general standing of contracting parties. The economic significance of the non-banking services lies in the fact that they can contribute both directly and indirectly in the process of growth, specifically in underdeveloped countries- directly because the gains of the bank which it gets in the form of commission and the funds which it gets in performance of such services may be utilized for financing development programmes, and indirectly because by these services, specially by transacting the business of foreign exchange, it facilitates international trade and thereby helps in the fresh flow of capital from one place to another which, in turn, creates better condition for investment.

Islamic bank is an important social institution, so it must have the role towards social development and process by which economic growth is achieved. Investment in education for development of human resources and economic growth. It must be that banks may not get any immediate returns and their contributions could well be decisive and lasting. Let us suppose that in particular rural area where most of the people engaged in agriculture are illiterate and a bank is set up. Naturally, in such an era, development of the bank is really a difficult task. Once a bank is really a difficult task. Once a bank successfully invests a portion of its resources on schooling, in due course the invisible return which banks expect would be found a change in the outlook of the people towards the standard of living and a consequent desire for growth. Increased productivity and development of banking habit are subordinate to the desire for growth.

Baitul Mal

Baitul Mal is the most traditional banking institution of the Muslims as found in the history of Islam. There is an evidence to indicate that all property belonging to the Muslims constituted a part of the Baitul-Mal regardless of its physical location. The Baitul-Mal was a very broad concept and was based on the faith that all suzerainty, inclusive of the right to property over the universe belonged to Allah, man being his agent on the earth and possessing these things only temporarily Manan (1987) discusses the three types of Bait ul Mal:

1.) Bait ul Mal al-Khas. This was privy purse, with its own sources of income and items of expenditure. It would cover the personal expenses of the Caliph, his palaces, herem, pensions of the members of the royal family, palace guards and gift from the Caliphs to foreign princes.

2.) Bait ul Mal was a sort of the State Bank for the empire. This does not mean that it had all the functions of the present day central banks, but that whatever of these functions did not exist in their primitive forms were

performed by it. Since the Islamic state was highly centralized, both at the provincial and the central levels, administration of Bait ul Mal was always in the hands of one person. At the provincial level, the supreme head of the Bait ul Mal was the Governor of the province. He was in charge of collection and administration of the revenue. These Bait ul Mal were situated at provincial headquarters. The Central Bait ul Mal was situated at the capital of the empire so that it could be under the direct control of the Caliph.

3.) Bait ul Mal al Muslim in. This is the second public treasury of the Muslims. In fact, it was not for the Muslims alone; its functions included welfare of all the citizens of the Islamic State regardless of their case, color or creed. The functions of the Bait ul Mal consisted in public works, roads, bridges, mosques, welfare and provision of the poor. This Bait ul Mal was situated at the chief mosque and was administered by the chief Qadi of the country at the central level and by the counterparts of the Qadi at the provincial level.

The following revenue items to be deposited in the Bait ul Mal: 1.) The Sadaqah or Zakah revenue 2.) Ghanimah, i.e., war booty; 3.) Fai, i.e., Kharaj and Jisyah.

It was the duty of the Caliph to keep all these revenues apart from one another in the treasury because each had its own peculiarities and was to b administered according to it sown set of rules.

The Bait ul Mal was the central bank. Apart from this, there were no commercial banks in the modern sense of the term. Most of the trade was carried on by individuals or in partnership but no evidence has been found to indicate the existence of large trading companies.

It appears that the Bait ul Mal used to meet all the needs and requirements of the then society. As a matter of fact the Bait ul Mal used to perform almost similar functions which the present day central banks are doing except the issue of currency, supply of credit and control of interest rate.

In the modern time, Bait ul Mal is declining and the modern banking system has taken place in the Muslim areas.

Public Finance

Public finance deals with the financial problem pertaining to revenues, expenditures and debts of public authorities, in contradistinction to private individuals.

The most important aspect of public finance in Islam is Zakah. The word "Zakah" means "that which purifies" and "that which fosters". It is also known as one of the pillars of Islam. Wealth is produced by the application of man's skill and labour to the resources which God has provided for man's subsistence and comfort and over part of which man enjoys property rights, top the extent recognized by Islam. In the

wealth that is produced, therefore, three parties are entitled to share: the workman whether skilled or unskilled; the person who supplies the capital; and the community as representing mankind. The community's share in produced wealth is called the Zakah. After this has been set aside for the benefit of the community, the rest is purified and may be divided between the remaining parties that are entitled to share in it.

Zakah covers moral, social and economic spheres. In the moral sphere Zakat washes away greed and acquisitiveness of the rich. In social sphere Zakah acts as a unique measure vouchafe by Islam to abolish poverty from the society by making the rich alive to the social responsibilities they have. In the economic sphere Zakat prevents the morbid accumulation of wealth in a few hands and to diffuse it before it assumes threatening proportions in the hands of its possessors, as it is a compulsory contribution of the Muslims to the State exchequer.

Tax structure in early Islam does not fall into the two classes and secular revenue, as wrongly maintained by many Western scholars. In spite of the simplicity of the system, there were a number of taxes prevalent in the early Islamic State. Generally speaking, they are: a.) Zakat, b.) Jizyah, c.) Kharaj or land tax, and d.) Spoils.

As one of the basic tenets of Islam and since the rich and wealthy Muslims are enjoined to help the poor and needy, Zakah is the prime source of revenue for any Islamic State. Jisyah is next source of revenue. This tax was imposed on the non-Muslims in lieu of the guarantee extended to them by an Islamic State for the protection of their lives and properties, religious rites and for their exemption from military service. These people called "Dhimmis". Kharaj or Land Tax is a kind of tax imposed on lands mainly conquered by the force of arms irrespective of whether the owner is a minor or an adult, free or slave, Muslim or infidel. And spoils of war were one of the diminishing source of revenue of the Islamic state. This revenue went on increasing during the expansionist period of Islam, because technically, it meant property taken by force from infidels during war.

It seems that the institution of Zakat even today contains an enormous human potential for communal betterment which we should utilize in a systematic manner through government agency, for financing social welfare and social security schemes of the modern state such as poor houses, centers for free medical education for the indigent, money relief for the employees, aged, windows and orphans, and a beginning might be made with the grant of relief to the innocent dependents of persons who are suffering imprisonment for crime, etc.

The categories of property defined in the early days of Islam to which Zakah is to be applicable should not be rigidly maintained. It is to be decided whether or not such things as industrial machinery, bank notes, shares, stocks, etc., should be subject to Zakat.

The fixing the rate of Zakat, the Islamic State may introduce an element of elasticity to face the inflationary tendencies of the economy of almost all the Muslim countries of the world. During the periods of rising prices, the purchasing power of Zakat revenue diminishes; the poor who are entitled to it are thus his in real terms.

Hadrat Umar introduced many changes in the system of Zakat, because it is a means to an end, not an end in itself.

Chapter V. Globalization: Issues and Prospects

This chapter presents and discusses the major problems affecting globalization, particularly trade, investments and industry, on Muslim traders in Mindanao. Some problems are discussed in order to distinguish how the problems are commonly encountered in all parts of the country and among them are uniquely and seriously encountered by Muslims in Mindanao. Presentation, discussion and analysis of the findings are based on Islamic perspective and relevant materials in order to show the relevance of Islamic economy to the business in the Muslim areas.

Poor Knowledge and Awareness

The overall context of Islamic economy is unpopular in most Muslims, only few can speak a little about Islamic economy. Much more when we talk about globalization as a process in deepening and tightening of the interdependence among actors in the world economy.

Schools and madaris which serve as venues of learning and educational processes in the Muslim Filipino areas. Both these schools do not give emphasis on the ongoing globalization that is taking place and the relevance of Islamic economy in particular. The Madrasah concentrates largely on religious aspects of Islam and the schools of the government whose curricula are secular in nature. Integrated system of education is expected to realize in Muslim areas so the entire religious and material aspects of life can be taught.

However, the Philippine constitution provides the separation of religious activities and state functions. Although Islamic studies are offered in some state universities, they are taught for academic purposes only and with limited aspects of Islam. They do not give strong emphasis on the Islamic economy. On the other hand, only very few of the Muslim populace can avail of this program.

It seems education in the Muslim areas does not have the vision for economic development. If we look at the highest model of the Muslim university teacher – the professor with a doctorate degree from a western university, especially in the social sciences and humanities, he was indeed trained and educated in the western education and graduated with fair or less than fair average. In most cases, he was not Islamically oriented and motivated beforehand, i.e., he had not embarked upon his expedition to seek knowledge largely in Islam, but rather for a materialistic and egoistic goal.

And it is noticeable that there is a rift between the political leadership and the educational institutions in the Muslim areas. They do not have coordination and cooperation in order to make people conscious of business activities.

So, Islamic economy and globalization seems to be unpopular among Muslim Filipino businessmen. They have to learn the nature, objectives and aspects of Islamic economy and globalization through experience and other related sources.

Table 2. Distribution of the Respondents According to their Degree of Perception on Poor Knowledge Affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	92	61.3
Agreed	33	23.0
Strongly disagreed	9	6.0
Disagreed	8	5.7
Undecided	6	4.0
TOTAL	150	100.0

The table shows that majority of the respondents strongly agreed that poor knowledge and awareness adversely affects global trade, investment and industry in the Muslim areas.

This goes to show the importance of knowledge, awareness and consciousness in all human undertakings. In Islam, the search for knowledge is among the obligation of man. Prophet Muhammad said, "search knowledge from the cradle to the grave". In another hadith, he said, "seek knowledge even in China". This goes to show the importance of knowledge and awareness in Islam. The sources of Islamic knowledge are the Qur'an (the word of Allah), Hadith (prophetic saying), Ijma (consensus among Muslim jurists), Qiyas (analogical deduction), and in different channels of information like the Kutbah (Islamic sermon) in Masjid (mosque), lecture in Madrasah (Muslim schools) and lectures in seminars, conferences, symposia and fora.

A person who used to engaged in business activities must be well acquainted on business policies, global business and the approaches in dealing people having different attitudes and culture.

The government has tried to relevantize its educational system. Rodriguez (1995) said:

> *Philippine education is an instrument for national development. It is the prime mover of the economic well-being and progress of the country, the preserver of customs and traditions, the molder of the youth, the provider of manpower for development of science and technology.*

The Constitution provides that the government shall establish and maintain a complete, adequate and integrated system of education relevant to the goals of national development (Article XV, Section 8).

The Educational Act of 1982 charged the educational system to contribute to the attainment of the following national development goals (PD 6-A, Sec.2).

1. to achieve and maintain an accelerating rate of economic development and social progress.

2. to assure the maximum participation of all people in the attainment and enjoyment of the benefits of such growth; and

3. to strengthen national consciousness and promote desirable cultural values in a changing world.

Besides, the educational system tasked with the duty to:

1. provide for a broad general education that will assist each individual, in the peculiar ecology of his own society; attain his potential as human being; enhance the range and quality of individual and group participation in the basic functions of society; and acquire the essential educational foundation for his development into a productive and versatile citizen.

2. train the nation's manpower in the middle level skills required for national development;

3. develop the high level professions that will provide leadership for the nation, advance knowledge through research and apply new knowledge for improving the quality of human life; and

4. respond effectively to changing needs and conditions of the nation through a system of educational planning and evaluation.

The Educational Act of 1982 (Batas Pambansa 232) recognizes the need to promote the right of cultural communities to relevant education to make them participate increasingly in national development. Section 3, paragraph 8 of the Act states:

> *The State shall promote the right of national cultural communities in the exercise of their right to develop themselves within the context of their cultures, customs, traditions, interest, beliefs and recognizes education as an instrument for their maximum participation in national development and in ensuring their involvement in achieving national unity.*

These Act and PD issued for the Filipino people in general, and for the Muslims in particular, the government has distinctive educational policies to make them active participants for national development.

It is hope that the State may largely provide educational system to the national cultural communities in the country, including the Muslims, relevant to their socio-economic and political life so they can participate actively in nation building.

Poor Human Behavior

The persistent poor human behavior among few Muslims in the country negative attitude among non-Muslims and even among outside observers of the Muslim society. These people used to see Muslims in general as bad and terrorists. The negative attitude has been reinforced by the prevailing kidnapping, carnapping and the like in the Muslim areas. Some judge Muslims as terrorists and not on their capacity and merits as persons. With this, some traders and investors both Filipinos and foreigners are reluctant to make business endeavors in the Muslim areas.

Likewise, there are Muslims, though they are honest, could not gain the confidence and trust of the capitalists in pursuit of their business activities.

The prevalence of bad human behavior among Muslims is manifested by the ongoing Islamization process brought about by various Islamic organizations and movements. They used to enjoin what is good and forbade what is evil.

Table 3. Distribution of the Respondents According to their Level of Perception on Poor Human Behavior affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	95	63.0
Agreed	42	28.0
Strongly disagreed	4	3.0
Disagreed	5	3.3
Undecided	4	27.0
TOTAL	150	100.0

As shown the table that majority of the respondents strongly agreed that poor human behavior is among the problems of global trade, investment and industrial activities in the Muslim areas.

Good human behavior is an Islamic and a universal value in which Islam gives more emphasis so we can relate it to our day to day undertakings. It is one of the two main important requisites of economic growth and development. As Professor Lewis has observed: “the growth of output per head depends on the one hand on the natural resources available, and on the other hand on human behavior.” But empirical observation revealed that resources cannot alone promote economic growth since countries/places with similar resources show dissimilar vigor at different times in their history without any obvious change in their resources. Natural resources determine the course of development and constitute the challenge which may or may not be accepted by human mind.

Good human behavior is an important Islamic value which is universally accepted and consistent with the GATT-WTO principles, especially on the aspect of non-discrimination in local and foreign markets.

With this, it can be accepted that human behavior plays a very crucial role in economic development. As a matter of fact, development is a complex process; economic, political, religious, social and cultural conditions must be favorable. But, unfortunately, in all underdeveloped countries like the Philippines, we find enough economic resources but with adverse human behavior. So what is needed is a painful readjustment – creation of favorable atmosphere on the ruins of adverse social, economic, legal and political institutions.

The development of behavior takes time in an underdeveloped places, regions or countries. These places should either abandon their development programs in the face of unfavorable social, economic and political institutions or adopt coervice measures to achieve targets of economic development. No doubt, Islam does not rule out the need for coercive measures, if need be, for achieving the greatest good of the great number of people.

Muslims are expected to be gentle in business transactions. Abdul Hai cited Hadrat Jabir (Allah be pleased with him) who related that Allah's messenger said, when he buys, and when he makes a claim (Bukhari). In another saying of Prophet Muhammad which shows the good qualities of a businessmen. Abdul Hai cited Hadrat Abu Umma who related that Allah's messenger said "when businessmen have three characteristics then earnings will be pleasant and lawful". (1) when he sells (a thing) he does not cry (it) up and in the sales (a thing he does not cry it up and in the sale does not suppress its defects the buyers, and (3) he does not resort to (false) swearing during that transactions.

Therefore, the importance of good human behavior as universally recognized must be understood and internalized by the people concerned so they can expect not only for material development but also for a lasting good human behavior and relationship which are important indicators of development of Islam.

Insufficiency of Business Capital

Lack of business capital is an utmost resource of a person to engage in all forms of business activities. While it is true that learning the mode and nature of business activities, a businessman must have the necessary capital to particular business activity. Lack of capital adversely affect the economy of particular individual, group or society. In Muslim Mindanao, Sarip (1995) said:

> *For many years, investment in the area of autonomy had been slow in coming, if not trickles. The lack of investment in the region has left its economic resources and largely untapped to the economic disadvantage of the Autonomous Region in Muslim Mindanao population and the communities. This situation aggravates unemployment and underemployment problems among the population.*

In the Muslim areas, a huge people could not engage in trade and other forms of business activities due to lack of capital. This is quite true since a large number of people in the Muslim areas are below the poverty line. So financial and lending institutions are reluctant to lead capital to the people in the areas, particularly Muslims. They are even influenced by negative impression that Muslims would take loans as dole out.

Accordingly, partnership in trade, investment and industry needs to be ventured in the Muslim areas but Muslim businessmen are repulsed due to lack of capital. This phenomenon is covered by the Omnibus Investment Code. And Edrozo, et al (1999) revealed in their study:

> *The provision in the Omnibus Investment Code of 1987 which allow non-Filipino nationals up to 40% of the outstanding capital of that enterprise leaves the Filipinos 60% capital counterpart, which only very few can afford.*

This code provides the need for the Filipino businessmen to become capitalist so they could engage in joint business venture with foreign trade and investors.

Table 4. Distribution of the Respondents According to their Level of Perception on the Insufficiency of Capital affecting the Globalization of Economy

Degree of Perception	Frequency	Percentage
Strongly agreed	100	66.7
Agreed	41	27.3
Strongly disagreed	3	2.0
Disagreed	4	2.7
Undecided	2	1.3
TOTAL	150	100.0

As shown in the above table, majority of the respondents strongly agreed that insufficiency of capital is a problem of global trade, investment and industry. It is true in all types of business undertakings that capital is an essential requisite. The amount of capital, however, depends upon the types of products merchandizes whether locally or imported and the product distribution whether domestic or international.

Roque (1990:43) revealed that realization of investment projects hinges on the availability of funds and capital to finance them. Determining capital budget and its fund source is basic to financing capital investment projects of an organization. Majorda (1993:55) said that financing may be short-term, that which can be paid within a year or long term financing beyond one year.

On account of capital inadequacy to finance the need for development, the country welcomes foreign investors. Foreign ownership, however, is limited up to 25 percent on contracts for the construction and repair of locally funded works except infrastructure projects covered in Republic Act No. 7718.

Foreign investment in exploitation, development and utilization of natural resources contracts for the supply of materials, goods and commodities to government owned and controlled corporations, company, agency or municipal corporation can go up to 40 percent equity (Art. XII, Sec. 2 of the Philippine Constitution). However, pursuant to RA 7042, the foreign equity is allowed on retail trade. These sets the legal framework for foreign capital investments in the country.

Lamberte, during the technical workshop on Islamic Impact of Globalization conducted on November 6, 2001 at Xavier University in Cagayan de Oro City, mentioned the possibility of creating banks wherein local and foreign Muslim businessmen can conduct business using the Islamic principles of trade. He pointed out Malaysia which started its Islamic banking system 14 years ago. Islamic banking aims to support the Muslim community, which has been pushed into the periphery by the more economically powerful Chinese businessmen. In the Philippines, our local businessmen always face the problem of capital insufficiency. However, given our classical banking system, this problem is more severe in Muslim areas because culture and tradition does not easily allow them to maximize the classical system as a source of capital.

As such, to respond the needs of our Muslim businessmen, two options were cited by Dr. Lamberte. First, follow the Malaysian model wherein Islamic banks are created to cater the needs of Muslim businessmen andor borrowers. And lastly, change the regulatory system of banking to satisfy the Islamic banking system.

Poor Means of Communication

In the Muslim areas, communication facilities are poor and yet to be improved. Only in the cities and urban areas where communication facilities are considerably available. In various municipalities, some do not have telephone lines. They use two-way radio instead. Only very few people have cellular phones because not all of these areas have electricity and cell sites.

Table 5. Distribution of the Respondents According to their Level of Perception on Poor Means of Communication affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	96	64
Agreed	43	28
Strongly disagreed	6	4
Disagreed	3	2
Undecided	3	2
TOTAL	150	100.0

The table above shows that majority of the respondents strongly agreed that poor means of communication is a factor affecting the globalization of economy in the Muslim areas.

Means of communication together with the directory of business establishment are imperative for business their business undertaken is imperative for businessman to prosper his business activities in both domestic and international. Among the communication facilities are radio, television, telephone, cellular phones, and others. These are the important means and channels of communications that can facilitate economic development. These facilities hope to be fully addressed by the government in the Muslim areas in the future to come. This is related with the information published in the Philippine Daily Inquirer (August 25, 2003) that “President Arroyo was close to signing an executive order creating the Information and Communication Technology (ICT) Commission.”

Poor Means of Transportation

In the Muslim areas in Mindanao, businessmen find difficulty in transporting goods and commodities in Muslim areas since some roads are rough and barred from one municipality to other municipalities within a province. For instance, the rough roads from Pagadian to Zamboanga and no accessible road from Wao bound to its nearby municipality, i.e., Maging, both are situated in the same province. A businessman or traveler from Marawi City, Ramain and nearby municipalities can only go to Wao via Iligan, Cagayan and Bukidnon, both are situated in Lanao del Norte and Cagayan de Oro, respectively. In the same manner, local airports in Baloi and Cotobato City are non-operative and they are now allegedly under repairs. This barred among businessmen,, including foreign traders and investors, to come and go to nearby places in Mindanao for business purposes.

Sarip (1995) revealed in his study that:

The lack of infrastructure support facilities in the Autonomous Region has been a stumbling block to economic growth and development, particularly in the rural areas. The region still lacks transportation and communication facilities, post harvest facilities, marketing and other farming support facilities.

This finding indicates that the slow implementation of development projects has something to do with the probity and credibility of the implementers. On the other hand, this indicates that the implementers are not sincere for the economic development of the people in the areas.

Table 6. Distribution of the Respondents According to their Level of Perception on Poor Means of Transportation affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	94	62.7
Agreed	45	30.0
Strongly disagreed	3	2.0
Disagreed	2	1.3
Undecided	6	4.0
TOTAL	150	100.0

The table above shows that majority of the respondents strongly agreed that poor means of transportation is a problem affecting the global economy in the Muslim Filipino areas.

This manifest the immediate installation or construction to these vital infrastructure would be an added incentive to attract and promote investors to the region.

In order to overcome this shortcoming, the national government has promulgated policies relative to project choice some of which are: consider the accessibility requirement of the elderly and disabled persons in the design of infrastructure projects and operation of public utilities; adopt the integrated area development approach in planning, programming and implementation of complementary support infrastructure, eg roads, irrigation facilities, water supply, etc. for regional growth centers, tourism areas, and identified poverty areas; give priority to appropriate sanitation infrastructure facilities (e.g., toilets, water supply and sewerage in Metro Manila and other urban centers, especially in depressed areas (MTPP 1993-1998). This policy and its realization can speed up trade, investment and industrial activities for economic development in Muslim areas.

Sarip (1995) cited Lininding Pangandamen when he declared that he has lined up 941 regional and district projects, 85 percent of which comprises the latter, mostly multi-purpose pavements. He claimed that 95 percent of those projects have been completed by September 1994.

The completion of this road network can facilitate the exchange of goods and service between the provinces of Maguindanao and Lanao del Sur as well as with the nearby Regions IX and X. It can also facilitate the improvement of the Polloc port which is identified as the Regional Industrial Center of the ARMM. And the

concreting of the Parang-Malabang Road is of course, the center of the Regional Infrastructure Development Projects funded under the 1992 Annual Seed Fund (Tanggol, 1993).

With regards to the issue on program implementation, the then regional governor Lindy Pangandaman said: “About 60 percent of the project identified by the Regional Legislative Assembly which forms part of 1992 infrastructure. Subsidy have been awarded to contractors in the Region. The rest will be undertaken by the District Engineering Offices in the respective provinces of the ARMM (Sarip, 1995).

Todaro (1992:108) said that productive investment are supplemented by social and economic infrastructure such as roads, power, communications, transportation, etc. Farm-to-farm market roads facilitate fast and easy transfer of farm products. We can see the huge of agricultural and industrial products in different markets in the Muslim areas if road network in particular in all areas are well constructed and developed.

Haram (unlawful) Foods Products

Muslim areas in Mindanao are not solely domiciled by Muslims. There is a considerable number of residents from different tribes and religious groups. Among them engage in business activities selling goods and commodities not necessarily examined whether halal (lawful) or haram (unlawful) by accredited Islamic institution. In the absence of such, among Muslim consumers who are religious have to see certain good if halal or haram.

Table 7. Distribution of the Respondents According to their Level of Perception on Haram Foods affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	130	86.7
Agreed	10	6.7
Strongly disagreed	5	3.3
Disagreed	5	3.3
Undecided	0	0.0
TOTAL	150	100.0

The table above shows that majority of the respondents strongly agreed that haram (unlawful) foods and products is a problem affecting the globalization of economy in the Muslim areas in the Philippines.

In Islam, haram (unlawful) things should be given serious attention by the Muslims and the government because the presence of such affects their socio-economic life. This means that all the commodities and goods to be sold in the Muslim areas must be halal (lawful). For instance, the flesh of swine, liquor and other forbidden foods, idols, cross and images are unlawful and prevalent in some areas in Muslim Mindanao. Prophet Muhammad said, “Allah and his Prophets have forbidden the sale and purchase of liquour, carrion, swine flesh and idol.” He further observed, “When Allah forbids an thing, he also abolishes its value” (Ahmad, Abu Dawd).

Any food or product that are transported and sold in the Muslim area more particularly if coming from the non-Muslim areas are always determined if they are halal (lawful) or haram (unlawful). Muslims are quite sensitive on the matter because Islam forbids the Muslim to eat unlawful foods.

In order to make commodities in both domestic and international market, the national government needs the establishment of the Philippine Halal Certification Board which is in line with the state policy to protect and promote the right to good health of the people and instill consciousness among them and the rights and well-being of Muslim Filipinos as regards to their beliefs, customs, and traditions in accordance with the Shariah, as well as to further ensure their contribution to national goals and aspiration and to make them active participants in nation building.

Corollary to this, an official of the Department of Agriculture's National Meat Inspection Commission (NMIC) last September 16, 2001 cited the Islamic Da'wah Council of the Philippines ((IDCP) for holding the recent "Halal Orientation Seminar for Muslim communities here and nearby countries. Dr. Efren C. Nuestro, NMIC Executive Director, said the government is doing to protect their interest notably in foods which cater to their culture and taste (Manila Bulletin, September 17, 2001). He informed the participation that the Philippines has a permanent representative to the Association of Southeast Asian Nations (ASEAN) Adhoc Working Group on Halal Food Guidelines.

Nuesto (MB, September 27, 2001) revealed that an inter-agency project team was likewise formed to conceptualize, prepare guidelines, policies and procedures to the proposed Philippine Halal Certification Scheme as provided for in a Memorandum of Understanding (MOU) entered into by the Secretaries of the Department of Trade and Industry, Agriculture, Health, Science and Technology and the Executive Director of the Office of Muslim Affairs. The MOU reportedly serves as the basis for a proposed Executive Order creating the "Philippine Halal Certification Board".

For its part, the NMIC provides support to the Halal Food Development Assistance Project by way of technical assistane to the government units (LGUs) for the construction of a halal slaughter house in the municipality or city (MB, September 27, 2001).

Poor Tourism Related Facilities

Inadequacy of tourism related facilities adversely affects the tourism industry in the Muslim areas. The presence of this problem may discourage foreign and local investors to flock in the areas for business opportunities. In fact, many tourists come to see many beautiful spots in Mindanao but found getting a place to lodge because of hotel shortage and poor electricity and water supply. These are the problems which can dampen the spirits of investors. For instance, a Malaysian investor wanted to develop Samal Island in Davao del Norte but until now, nothing concrete has been decided also due to lack of power supply (Edrozo, et al, 1999). In Marawi City, with all the economic establishment are owned and operated by the Muslims, only Ayala Resort Hotel is operative and available for foreign and investors and visitors who used to come to the city. But, it is costly because of its higher rate of payment.

Table 8. Distribution of the Respondents According to their Level of Perception on Poor Tourism Related Facilities affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	96	63.0
Agreed	40	27.7
Strongly disagreed	6	4.0
Disagreed	5	3.3
Undecided	3	2.0
TOTAL	150	100.0

The table above shows that majority of the respondents strongly agreed that poor tourism related facilities as a factor affecting the globalization of economy in the Muslim areas.

Poingan (2000) commented that there is a need to understand the relationship of culture and development. It the tourism industry, there are many beautiful white sand beaches in Mindanao, but they can be packaged the way Boracay is being said to tourists because it is effective to Muslim sensibilities.

Poor Quality Products

Many manufacturing small and medium enterprises in the growth still suffer from problems in production (Philippine Daily Inquirer, August 25, 2003). The problems are likely focused on inability to deliver goods on time, inability to adhere to product quality standards, and soaring cost of production which is often passed on to the customer. These problems imply bottlenecks in the production area, the “heart and soul” of a manufacturing enterprises. What is tragic is that, when customer demands are not satisfied, the customer begins to hold a negative image of the company which can spread like wild fire among the customers.

Foreign developed and industrialized countries make their products quality and competitive in the world market. They proceed in globalizing their trade and investment. They have to transport their products across national boundaries and invest in various forms in order to sustain their economy and national interest. In the same manner, underdeveloped countries like the Philippines have to exert their efforts to make their products competitive and salable.

In the Muslim area, it is noticeable that foreign products, particularly those coming from Japan and US are competitive comparing the Philippine products. People believe that Japan products are genuine and durable. Thus, businessmen whose goods having poor quality are difficult to be competitive in the market.

With this, some local industries are reluctant to produce more because the government allow the importation of more products from foreign countries.

Table 9. Distribution of the Respondents According to their Level of Perception on Poor Quality Products affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	128	72
Agreed	27	18
Strongly disagreed	8	5
Disagreed	4	3
Undecided	3	2
TOTAL	150	100.0

The table above shows that majority of the respondents strongly agreed that poor quality products is a factor affecting the globalization of economy in the Muslim areas.

Unstable Peace and Order Condition

Unstable peace and order condition is among the perennial problems affecting economic activities in the Muslim areas. The presence of this problem can be attributed to several factors. Among them are the considerable number of poor and needy people who eventually act according to their carnal desire, and the political rivalry among politicians to gain power. In the electoral process, they even went to the extent of using their high-powered guns.

The adverse effect of unstable peace and order on socioeconomic condition has been cited by several authorities. Sarip (1995:68) in his study mentioned that unstable peace and order condition is one of the stumbling block for the realization of the full development of the Autonomous Region in Muslim Mindanao. The foreign investors may be reluctant to establish and continue their business activities in the area. In another source of information, foreign investments may not immediately come in but a few investors have declared that they will look Philippines again once the political situation establishes (PDI, January 22, 2001).

The unstable peace and order condition in Muslim areas has been triggered by the Moro problem. This problem refers to the inclusion of the Bangsa Moro homeland into the Philippine Republic. This was strongly triggered by the Jabeddah massacre in 1908. This incident had galvanized the Moros (Muslims) into protest actions. It also forged a sense of unity among the Moros which led to the formation of the Muslim (later renamed Mindanao) Independence Movement, and the organization of the Moro National Liberalization Front in 1970. And from that several Moro groups, including the Moro Islamic Liberalization Front, were organized. All these have been fighting for self determination.

Moreover, an exported complained they only got orders for about $30,000 instead of $300,000 during a recent fair because very few foreign buyers came as a result of the bombings and the prevailing political uncertainty. So, exporters had to go abroad to look for buyers and this entails higher costs. Edrozo, et al (1999) revealed that

Development in Mindanao was stunted not only in terms of restricted growth marked by high poverty and unemployment. It was also constantly by social problems most critical of which the lack of peace and order.

This manifests the importance and basis of peace and order for economic development and good governance. Peace would provide a conducive atmosphere for effective, efficient and responsive delivery of basic services to the people (Sarip, 1995).

Peace and development as a goal, the national government deserves its own part of the blame for the inadequate political and fiscal powers of the ARMM. It is answerable for raising the expectations of the Muslim Filipinos without giving them the commensurate financial, technical and political support they need.

It is therefore believed that if the national government through the ARMM and the local government units will not pay serious attention for the realization of peace and order in the Muslim areas, it is difficult for the foreign and local traders and investors to improve their business transaction and activities.

Stable peace and order conditions is a requisite for economic development because business enterprises will thrive only in a peaceful and stable environment. This situation invites people, both the peace loving and trouble makers to come and migrate. Their migration creates a new socioeconomic environments that the government must continue to deal with.

Table 10. Distribution of the Respondents According to their Level of Perception on Unstable Peace and Order affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	126	84.0
Agreed	14	9.4
Strongly disagreed	5	3.3
Disagreed	5	3.3
Undecided	0	0
TOTAL	150	100.0

The above table shows that majority of the respondents strongly agreed that unstable peace and order is a factor affecting the globalization of economy in the Muslim areas.

It was discussed earlier that Islam is derived from the Salam which means peace and purity. This goes to show that peace and order is the main thrust of Islam and the government must create a peaceful environment conducive to socioeconomic development. If unstable peace and order exist, it means that people have yet to internalize the tenets of Islam.

Thus, Islam severely condemned the creation and promotion of disorder. The Qur'an says:

Do not promote disorder in the earth after peace has been established (7:56-7)

Do not go about committing iniquity in the earth and those who create disorder (5:65)

Seek not to create disorder in the earth. Verily, God loves not those who seek to create disorder (XXLVII: 78).

The above Qur'anic verses show that all possible factors which tend to disturb peace and order are strongly condemned by Islam. Domination of one group by another in the domestic sphere or of one people by another in international sphere on economic exploitation of any form which may develop into threat to peace is strictly forbidden. The Qur'an says, "Do not raise thine eyes covetously after for a period of the ornaments of the life that we may them thereby – the provision bestowed noon thee by the Lord is better and more enduring (XX:132).

Poor Government Financial Support

In Muslim areas, some Muslim businessmen believe that the government is not sincere to provide financial support to Muslim business activities. It is noticeable that in Muslim dominated areas, government has been observed to have poor financial support to Muslim business activities. Banks have been established and operated in the areas but they are hesitant to provide capital to Muslim businessmen and beside the banking system is not quite relevant to the way of life of the Muslims. Loans with fix interest is being imposed upon the borrowers which is actually forbidden to Muslims by Islamic law. It is among the greatest sins in the sight of Allah. Therefore, some religious Muslim stick to Islamic law and may decide not to borrow from the government banks.

Government support can be coursed through appropriate institutions whose function and programs are relevant to the economic growth of the Muslims. The Philippine Amanah Bank is expected to act and be regulated as a government financial institution, since this institution was conceived to observe Islamic system. Unfortunately, the said bank operates similar to the usual bank, i.e., Land Bank, PNB, etc. They sanction riba or interest to both the deposit and loans.

Table 11. Distribution of the Respondents According to their Level of Perception on Poor Government Financial Support affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	102	68.0
Agreed	33	22.0
Strongly disagreed	6	4.0
Disagreed	5	3.3
Undecided	4	2.7
TOTAL	150	100.0

The above table shows that majority of the respondents strongly agreed on poor government financial support as a problem affecting the globalization of economy in the Muslim areas.

Government support through relevant economic policies is an important element in trade, investment and industrial activities. The financial support can be provided through the government banks and financial institution. But the provision for the financial supports to the Muslims must be regulated to consider and fit their Islamic value, principles, and belief.

Talking about national development, of course, the government is doing its role. She used to act as overall regulator of economic activities, for which it can opt to promote economic growth, provide employment opportunities and expand livelihood. It also used to attract, promote and welcome productive investments from foreign individuals, partnerships, corporations, and government to significantly contribute to industrialization and economic development (Republic Act 7042, Sec 2).

Too Much Bureaucratic Control

Too much bureaucratic control affects global business. This comes true when traders and investors have to comply all requirements and pass through bureaucratic processes. Because of poor knowledge and awareness on the globalization and the business policies of the State, businessman found difficulty to comply the requirements.

As observed, some Muslim businessmen tried to escape from the bureaucratic processes. They used to short cut the processes to make use of their time in business undertakings. Accordingly, some Muslim businessmen used “backdoor” in going to nearby Muslim countries, like Indonesia, Malaysia, and Brunei without passing through the usual processes.

Table 12. Distribution of the Respondents According to their Level of Perception on Too Much Bureaucratic Control affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	95	63
Agreed	42	28
Strongly disagreed	7	6
Disagreed	5	3
Undecided	3	1
TOTAL	150	100.0

The above table shows that majority of the respondents strongly agreed that too much bureaucratic control is a problem affecting the globalization of economy in the Muslim areas.

Leadership Crisis

Leadership crisis affects global business in the Muslim areas. This is usually seen before, during and after the election of local and national leaders. It is obvious that electoral process in the country actually entails time, money and supporters. This

situation develops certain attitude of the people toward the choice of their leaders. For example, some do not vote unless they are given gifts, bonuses, and money, other are no longer interested to cast their votes for they know that candidates who resort to bribery and coercion can obtain more votes and may be subsequently elected to office. Until finally, the electoral process lost its value to most people (Panda, 1992).

In other words, elections have been ridden with violence and massive frauds. More chances are always given to those people who have the means and resources. These are the traditional politicians who wish to wield power by occupying key positions in the government, politicians from any sector of the society cannot win in an election if he is poor. Political overspending during pool campaign has become a norm in the electoral process and laws are not enough to check it (Panda, 1992).

Political situation in Philippine politics has been characterized by over shifting loyalties to personalities. Through a complex system of patronage, local officials in collaboration with national actors build local machinery. The latter in return is promised votes from the community. If the local patronage client relations is not strong, local politicians resort to the use of coercion (Panda, 1992).

Table 13. Distribution of the Respondents According to their Level of Perception on Leadership Crisis affecting the Globalization of Economy

Degree of Perception	**Frequency**	**Percentage**
Strongly agreed	60	40
Agreed	81	54
Strongly disagreed	6	4
Disagreed	3	2
Undecided	0	0
TOTAL	150	100.0

The table above shows that majority of the respondents agreed that leadership crisis is a problem affecting the globalization of economy in the Muslim areas in the country.

Leadership in Islam influences the socioeconomic development of the society. The leader is a mere vicegerent of Allah and his role is only to accept and carry out the laws of Allah on earth. The objective is to established a balanced society. It develops both spiritual and material aspects. But, political leadership could be directly or indirectly affected by its environment.

In other words, human leadership is something that is subject to influence by both internal and external milieus. The former refers to the factors functioning or operating from within, including the human senses, and the latter refers to the existing realities and environments. When either of these function and operate, there is some kind of change either for development or retroregression. Therefore, it is highly imperative for a political leadership to manage its environment and influence the course of action of the people toward a common vision according to its ideology, styles and approaches for sustainable development (Panda, 1992).

With all the above mentioned findings and observation, economic activities in the Muslim areas is relatively poor compared in the non-Muslim areas.

CHAPTER VI
Prospect of Economic Development under the Globalization Trend

This chapter presents the prospects of economic development of the Muslim Filipino areas under the globalization trend. In order to explain the nature of this development, it is significant if we can describe the Islamic concept of economic development.

Islamic Concept of Economic Development

The desire for economic development in Islam comes not only from the problem of scarcity of resources but also from divine persuasion of the Qur'an and the Prophets' Sunnah. The concept of economic development invites differences of opinion among people. Muslim is expected to say that the Islamic concept of development is superior to the modern concept of the term. This development refers to the process whereby the people of a country or region come to utilize the resources available to bring about sustained increase in per capita products of goods and services. According to Professor W.A. Lewis, " Growth is taking place if output is increasing per hour of work done." In his book Process of Economic Growth, Rostow tries to explain economic development in terms of a number of propensities:

the propensity to develop fundamental science;
the propensities to apply science to economic ends;
the propensity to accept innovations;
the propensity to seek material advance;
the propensity to consume or to save; and
the propensity to have children.

These propensities summarize the effective response of a society to its environment at any period of time through its existing institutions and leading social group.

Economic development means increase in the per capita income of the people at a given period of time. It views economic organization of society as a production unit. Economic growth measures the capacity of the economy to increase the supply of goods and services. So in other words, it means the increase of national income, but both the money cost and real cost remain unaltered, for, if they increase in proportion to the increase in national income, it cannot be called economic development in the real sense of the term.

Manan (1987) revealed that:

> *" To determine whether an economy is a 'developed' one or not, we will use three general tests: 1.) its per capita income must be a fairly high one; 2.) the per capita income must be a rising one; 3.) the rising trend in per capita income must be a continuous and self-sustained one".*

There is hardly any basic difference between Islam and modern connotation of the term. If there is any difference, it may be found in its approach and method of

handling the problem. This will be clearer if an attempt is made to x-ray the basic prerequisites of economic development.

There are many prerequisites of economic growth of which the most important are mainly two: one is national resources and the other human behavior. But our empirical observation suggests that the rich resources cannot alone promote economic growth since countries with similar resources show dissimilar vigor at different times in their history without any obvious change in their resources. Natural resources determine the course of development and constitute the challenge which may or may not be accepted by human mind.

Human behavior, which is indicative of the desire for growth, plays a very crucial role in economic development. As a matter of fact, development is a complex process; economic, political; religious, social, and cultural conditions must be favorable.

The economic development in the Muslim Filipino areas as well as the on going Islamization in the areas. The presence of these factors could possibly influence both local and foreign traders, investors, and industrialists to do more business activities in the areas for economic development.

Prospects

Among the provinces and cities in Mindanao which have a considerable number of Muslim population are the provinces of Tawi-tawi, Jolo, Basilan, Zamboanga, Maguindanao, Lanao del Sur and Lanao del Norte, and cities of Marawi, Cotobato, and Isabela.

Strategic Location

Mindanao where the Muslim areas are situated is now the present hub of development and has made its route towards the attainment of this goal by being a member of the growth area known as Brunei, Indonesia, Malaysia, and Philippines – East ASEAN Growth Area (BIMP-EAGA). Its membership reinforces Mindanao's direct global business and economic links through the East ASEAN Sub-Region because of its strategic location. It will serve as a gateway for trading with Malaysia, Indonesia, Singapore, and Brunei.

With this, investment and all forms of economic activities are in good stead and development is steadily catching up to realize the dream of marking the areas as an emerging new frontier of the south.

Abundant Economic Resources

The said provinces and cities in Mindanao offer vast, untapped opportunities for both local and foreign investors. It is an island and islets rich with natural resources.

Lanao del Sur

Lanao del Sur lies in the western portion of the volcanic highlands of North Central Mindanao. It is bounded by Lanao del Norte and Bukidnon on the east, and Maguindanao and North Cotobato on the south. It is deeply ensconced between Bukidnon – Lanao areas, with a series of plains, highlands, basins, undulating, hills, volcanoes, ranges and peaks (Virata, Lanao del Sur).

The province has one city and 38 municipalities which are subdivided into 2116 barangay units. Marawi city serves as the seat of the provincial government. It occupies a land area of 387, 290 hectares (3, 872.9 sq. kilometers) which is approximately 16.62 % of the regional land area and 1.3 % of the total land area of the country (Ibid).

Generally, the topography of the province is 60 percent rolling and 40 percent plain. It is gifted with enormous water bodies, with Lake Lanao as the biggest source of hydroelectric power in Mindanao. It has big and small rivers which could be tapped for irrigation purposes in its low land areas. Its climate is classified as type IV which is characterized by more or less even distribution of rainfall throughout the year. Dry season is observed during the month from January to March and maximum rain period is observed from May to October. The main temperature of the province is 21 degrees C. And its soil type is generally silt and loam.

Lanao del Norte

Lanao del Norte is a province located in the north central portion of Mindanao. It is bounded by Misamis Oriental on the north, the Illana Bay on the west, Lanao del Sur on the south, and by Bukidnon on the east. It has irregular terrain with low plains in the interior and undulating hills to rugged mountains along the northern coast down to the southern portion of the province (Virata, Lanao del Norte, 1984:1).

The province has one city and 22 municipalities subdivided into 510 barangay units. Iligan city used to be its provincial capital. It occupies a land area of 309, 200 hectares (3, 092 square kilometer), which is approximately 13.27 % of the regional land area and 1.03 % of the total land area of the country (Ibid).

Rainfall occurs throughout the year, although the province is outside the typhoon belt. It has an annual mean temperature of 26.67 degrees C and a mean monthly rainfall distribution of 1, 524 millimeters.

The province had a population of 461, 049 in 1980, with an annual growth rate of 3.87 % for the 1975-80 period. In the same year, the province had a population density of 149.1 kilometer compared to 123.3 in 1975. This is relatively higher than the regional density of 97.5 although slightly lower than the national density of 160.3 (Ibid).

Of the total area of the province, 26.38 % (81, 587 hectares) where classified as public forest, 49.21 % (152, 175 hectares) remained as unclassified forestland as of 1982 (Ibid).

Maguindanao

Maguindanao lies in the northwestern side of the former Cotobato province. It is bounded by North Cotobato on the east, South Cotobato on the southeast, Sultan Kudarat on the south, the Celebes Sea on the west, and Lanao del Sur on the north. It has generally flat terrain with scattered hills, fertile plains and sequestered mountain ranges (Virata, Maguindanao: 1).

The province has one city and 17 municipalities which are subdivided into 504 barangays. Maganoy serves as the provincial capital. It occupies a land area of 504, 760 hectares (5, 047.6 square ki8lometer), which is approximately 21.67 percent of the regional land area and 1.68 percent of the national land area (Ibid).

The province can be divided into physiographic units. These are the southeast mountain clusters and the Maguindanao lowland. The former include the two big groups of mountain elevations: Bibica and Bilit. They are separated by the Valley of Mount Tugar River which flows into the Mindanao Sea. The latter include the north extremity of the Cotobato basin northeast of the provincial highlands. The area is generally sloping from the foot of the hills to relatively flat as it approaches the sea and materials derived from the weathering and erosion of emergent land mass.

The biggest and longest river of the province is the Rio Grande de Maguindanao. The northeast boundary of the province and as such the west banks are within the province jurisdiction.

The river meanders with flood rains developed at place together with extensive delta, which its drains westward into the Mindanao Sea. Several smallest streams and creeks are perennial type while the other are intermittent.

The climate of the province falls under type IV characterized by more or less even rainfall distribution throughout the year. Its temperature ranges from 25 degrees C to 26.5 degrees C. It is hottest from March to June and coolest from November to January.

The soil of the province is classified into various types according to landforms and landscapes. There are various landform types on topographic location, elevation, and morphology like plains, hills, and mountains.

Of the total land area of the province, 31.7 percent (521, 328 hectares were classified as public forest, 40.8 percent (670, 800 hectares) were classified as alienable and disposable, and 27.5 percent (452, 010 hectares) remained unclassified forest land as of 1982.

North Cotobato

North Cotobato lies on the eastern side of the old province of Cotobato. It is bounded by Lanao del Sur and Bukidnon on the north, Davao del Sur on the east, Sultan Kudarat on the South and Maguindanao on the west. Its terrain varies from fertile plains to irregular landscape of wide valleys, scattered hills and interminable mountain ranges (Virata, North Cotobato: 1).

The province has 17 municipalities which are subdivided into 511 barangays. Kidapawan serves as the provincial capital. It has a land area of about 650, 590 hectares (6, 565.9 square kilometer), which is 28.18 percent of the regional land area and 2.1 percent of the national area (Ibid).

The province had a population of 564, 599 in 1980 with an annual growth rate of 3.63 % for the 1975-1980 period. In the same year, the province had a population density of 84 per square kilometer compared to 50.6 for the same area in 1975. This is relatively lower than the regional density of 160.3 in 1980.

Except for the western end of north Cotobato, the prevalent climate is type B characterized by a short dry season of four months with less than 74 millimeters of rainfall monthly. The western end of the province experiences the type F climate with an even distribution of rainfall. It has an annual mean temperature of 27.5 degrees centigrade (Ibid).

Of the total land area of the province, 31.7 percent (670, 800 hectares) were classified as alienable and disposable.

Sultan Kudarat

Sultan Kudarat lies on the southern part of the former province of Cotobato. It is bounded by Maguindanao and North Cotobato on the South and Davao del Sur on the east. It has volcanic mountains, undulating hills, fertile soils, and rich basins that make it a top producer of major commercial crops.

The province has eleven municipalities which are subdivided into 225 barangays. Isulan is the seat of the provincial government. The province occupies a land area of 471, 480 hectares (4, 714.8 square kilometers), which is approximately 20.24 percent of the regional land area and 1.57 percent of the national land area (Virata, Sultan Kudarat).

The province had a population of 303, 784 as of 1980 with an annual growth rate of 4.93 percent for the 1975-1980 period. In the same period, Sultan Kudarat had a population density of 64.4 per square kilometer as compared to 50.6 in 1975. This is quite low compared to the regional density of 160.3 per square kilometer.

As of 1982, the total land area of the province was classified as follows: 31.7 percent public forest, 40.8 percent alienable and disposable land, and 27.5 percent unclassified forest land. As of the same year, the province had 138, 895 hectares of established forest reserves and 361, 833 hectares of established timberland. It has a total of 20, 600 hectares of national parks, games refuge, bird sanctuaries, and wilderness areas (Ibid).

Zamboanga del Norte

Zamboanga del Norte lies in the northwestern part of Mindanao. It is bounded by Sulu Sea on the north, by Zamboanga del Sur on the South, and by Misamis Occidental on the northeast (Virata del Norte:1).

The terrain is generally elevated and mountainous, with irregular coastlines. However, it has considerable number of rolling hills and fertile soil favorable for agricultural production (Ibid).

The province had a population of 588, 015 as of 1980, with an annual growth rate of 3.7 percent for the 1975-1980 period. In the same year, the province had a population density of 88.8 per square kilometer compared to 74.1 for the same area in 1975. This is relatively lower than the regional density of 135.3 and the national density of 160.3 (NCSO, 1980:9).

According to the Bureau of Forest Development Land Classification Office in Manila (1982), the province has a total land area of 607, 519 hectares and has the total farm area of 225, 871.70 hectares and with 3.70 average farm size area in hectares (NCSO, 1980).

Zamboanga

Zamboanga del Sur lies on the northwestern portion of Mindanao island. It is bounded by Zamboanga del Norte on the north, Lanao del Sur on the east, Mindanao Sea on the south, and Sulu archipelago on the west. Its northern portion is hilly, lines with several lowlands while the coasts have some thickly forested mountain ranges running across the whole province.

The province has two cities and 40 municipalities broken into 1, 107 barangays. Pagadian City serves as the provincial capital. Zamboanga del Sur occupies a land area of 805, 200 hectares (8, 052.0 square kilometers), which is approximately 46 percent of the regional land area and 2.86 percent of the total land area of the country (Virata, Zamboanga del Sur).

The province had a population of 1, 183, 845 in 1980 with an annual growth rate of 3.37 percent for the 1975-1980 period. In the same year, the province had a population density of 147 per square kilometer compared to 124.5 for the same area in 1975. This is slightly higher than the regional density of 135.3 although it is lower than the national density of 160.3 (Ibid).

According to the Bureau of Forest Development Land Classification Office (1982), the total land area of the province is 859, 488. This includes 54, 288 hectares which has been transferred to Zamboanga del Norte due to adjustment in the provincial boundary by the Technical Committee created under Administrative Order No. 265, dated February 1, 1971. And the total farm area is 340, 270.54 hectares and the average farm size is 3.09 hectares.

Basilan

Basilan lies at the southwestern portion of Mindanao island in Region IX. It is bounded by Basilan Strait on the north, Takut Tangub Bay on the east, Sulu province on the south and Sulu Sea on the west. Its terrain is large slightly rolling and mostly devoted to plantation settlement units with few croplands, pasture, and forest areas. It is composed of seven municipalities which are subdivided into 255 barangay units.

Isabela serves as its capital. It occupies a land area of 132, 723 hectares (1, 327.23 square kilometer), which is approximately 7.1 percent of the regional land area and 0.44 percent of the total land area of the country (Virata, Basilan Province).

The province receives an annual rainfall of 2, 071.5 millimeters. The rainy season occur from April to November while dry season is from December to March. Mean annual temperature is 26.8 degrees centigrade while relative humidity is 87.0 percent (Ibid).

The province had a population of 201, 407 in 1980 with an annual growth rate of 3.3 percent for the 1975-1980 period. In the same year, the province had a population density of 151.8 per square kilometer compare to 128.9 for the same area in 1975. This is slightly higher than the regional density of 135.3, although it is slightly lower than the national density of 160.3 (NCSO, Manila, 1980).

With all the above-mentioned resources, the exploitation and utilization depend upon the people's initiative and efforts. We subscribe to the idea that man is provided with human senses to employ in his daily undertaking.

Exploitation and utilization of these economic resources mentioned above depend upon the people's initiative and efforts.

On-Going Islamization

Islamization, through Dawah, propagation of Islam in various channels, is the best way to comprehend the Islamic tenets and principles. This includes the teachings of Islam on economic development under the globalization trend. Learned in Islam may be able to explain Islamic economy and its system so that the Muslims may be aware and conscious of their participation in all forms of business activities, which are directly or indirectly related to globalization.

The teaching of Islam in various ways and forms is actively done by different groups. Among them are the Jamah Tableeg, Markas al-Sabab, and Islamic institutions such as the Madaris and Masajid.

Islamization has been thought and observed by the Muslim propagators to make people aware on Islam so that the believers may be able to actualize the beliefs and principles of Islam in all aspects of human society. This includes the observance of peace, justice, and honesty.

With all the efforts extended by concerned Muslim Filipinos, it is expected that Islamic tenets and principles may gradually be known, internalized, and observed by the people. In the process, businessmen and manufacturers may be able to display and observe the qualities of Muslim. This actuation may, therefore, gain the confidence of both the local and foreign investors to extend their help in order to sustain economic activities and development in the Muslim areas.

This observation for economic development has been reinforced by the creation and organization of Islamic groups and institution in the Muslim areas.

Potential Role

The concept of globalization in modern parlance is a process considered to deepen and tighten the interdependence of world economy in order to ensure mutual help and cooperation between and among nations. Lairson et al (1998) defined:

Globalization is the process of deepening and tightening of the interdependence among actors in world economy after 1973. Much higher levels of international financial transactions and increasing international production are key features.

This is quite true because of the growing demand of resources and the industrial products of the developed and industrialized countries. Through this globalization, the level and character of participation in international economic exchange relations have increased in significant ways. The multinational corporations who serve as international economic actors of economy have been intensified and restructured, and new forms of economic relationship have emerged to define a distinctive stage in the development of the world economy. Thus, globalization is a process of the on-going change and development.

Globalization is a process seems to fit in strengthening mutual relations and help of the Muslim societies of The Ummah Islamia. This Ummah is an ideological state which does not require socio-economic and political boundaries. Muslims can travel and go from place to place in the Muslim areas without necessarily requiring them to seek passport from their government and visa to be issued by the receiving government. Therefore, the presence pf Ummah Islamia indicates the global and universal nature of Islam. Unfortunately, the Islamic concept of ummah appears not in modern time under the impact of westernization and nationalism, which fragmented the Muslim ummah into several nation states.

The concept of globalization may restore the oneness of the Muslim nations through the process of interdependence and sharing of resources, goods, and services. This is in line with Qur'an where Allah says:

O mankind we created you from a single pair man and woman and made you into nations and tribes for you to understand one another.

The idea of having mutual understanding and help has the potential role and effect on the socio-economic development of the Muslim Filipinos in particular and the Muslim Ummah in general.

Otsubo (1996) explain further that:

Globalization is the integration of production, distribution, and use of goods and services among the economies of the world.

This goes to show that globalization widens the economic activities in an area as in the case of a regional bloc than member countries acting singly. Having trade relations in terms of exchanging primary food and raw materials of the third world countries on underdeveloped countries in exchange o finished products by the

developed and industrialized countries, mostly through the multinational corporations, provide wider market and increase earnings for the former.

Lairson et al (1988) explains:

> *The term multinational corporation refers to a corporation that has a significant commitment of its resources (including sales and production) to operations in several nations. For example, Toyota – the Japanese car company, which in 1975 operated mostly in Japan has substantially globalize its operation. In 1995, Toyota had nine parts plant sin seven countries other than Japan, twenty nine assembly plants in twenty five countries, and five research and development facilities in two countries.*

This means that multinational corporations serve as major actors in global business. The initiatives and efforts of these corporations enhanced global business. This is seen in the Muslim Filipino areas.

Globalization of economy manifests trade cooperation among member countries. Countries in the same region may have natural resources that require cooperation and mutual help and action. This facilitates exchange of goods and services at a lower cost than sending outside the region. Part of this cooperation is the agreement on removing trade barriers among member countries or between two countries. The bilateral or multilateral trade provides preferential trade arrangements in trading with non-member countries. Exporting more products by particular country would make its economy developed.

But pursuit of global trade and investment should be mutually agreed by member countries which must be covered by certain policies. Theoretically, the regional bloc composed of Brunei, Indonesia, Malaysia and Philippines is structured based on the investment policies mutually agreed as explained below:

Brunei Daru Salam accepts foreign participation in development to include industrial and commercial operations. The state is inclined to industrialization programs. It encourages private sector to get ahead on export-import industries, specifically in the areas of agriculture and livestock fisheries, forestry, and manufacturing such as food processing, furniture and files, textiles, plywood and wood paneling, glass chemicals and dyes. Foreign investments are welcomed as long as it contributes to the economic growth of the country. Joint ventures with foreign investors and local citizens are encouraged. Its policy requires joint-venture companies to train locals on management and technical levels. Joint venture companies should participate in capital investment and management (BIMP-EAGA: 2).

Indonesia supports investment on export of non-oil commodities, processing of raw materials, procedure capital goods promote the use of local products, encourage the use of local components in the assembling industry, transfer new technology skills and expertise to the country, maximize employment opportunities and produce new or scarce type of products.

The investment coordinating Board of Indonesia classifies business areas that are:

1.) open to foreign investment;
2.) open to domestic investment
3.) reserved for small-scale enterprise and investment outside the framework of foreign and domestic laws; and
4.) closed to any category of investment (BIMP-EAGA: 1)

Malaysia, like any other country, dreams to be fully developed and industrialized. The country gives more preference to capital- intensive, value-added, and high technology industries, particularly in the manufacturing sector in which foreign investments are also welcome. The government also encourages the transfer of technical know-how and the export of locally manufactured or value-added goods. Likewise, research and development in emerging technologies is also being promoted (BIMP-EAGA: 1).

The Philippine encourages private investment by domestic and foreign companies in industry, agriculture, mining, and other sectors of the economy that will promote employment, raise the production of the natural resources, improve the technical skills of the people (Business Law of BIMP-EAGA Member Countries).

For the Philippines, in determining the national development agencies, proposed projects are screened and prioritized according to the following criteria:

1.) Expressed interest by local government leaders and representatives of NGO's, GFI's, private business, and the local community;
2.) Potential economic impact on regional development;
3.) Viability of the projects as indicated by preliminary including technical, economic, social, and environment study;
4.) Consonance with national government priorities as indicated by the Medium Term Development Plan, Public Investment programs in consultation with NEDA, DTI, and other relevant agencies.

Thus the above mentioned investment policies of the country gives preference to the interest of the local government leaders and community. This provides a potential aspect on business activities in the Muslim areas where people possess and observe distinct socio-economic and political principles.

Globalization, however, can be employed and observed to the advantage of a particular country or nation more so, if she has hidden agenda to make the business agreement and similar undertaken satisfies her interest and henceforth becomes the impudent on her counterpart. This is related to what Solita Monsod explained about the realities undermining the Philippine economy vis-à-vis competition within the East Asia Growth Rate (EAGA):

But there is a condition for foreign capital to flow into our local economy. First, they will study the market size, growth, production costs, skill levels, adequate infrastructure, economic stability, the quality of general regulatory framework (read

corruption levels and enforcement, not necessarily in that order, are the major considerations (PDI 08, 11, 99).

It is noticeable that globalization has been largely led by developed and industrialized countries whose economic activities have been motivated by capitalism- an economic system which believes in the unrestricted private ownership of the means of production since the motive force is private profit. Their principles are dominated by three ideas: acquisition, competition, and rationality.

In order to sustain and develop their economy, developed countries proceed to globalize their economy. They have to transport their products and goods across national boundaries and invest in various forms in order to upgrade their economic conditions. They possess many instruments of commercial policies (e.g., tariffs, import quotas, export subsidies, etc.) to manipulate their business activities. Their restrictive economic policies like inflation have profound negative impact on the economies of poor nations. And they often design to have their joint interest through coordinated trade and other business activities in order to upgrade their own welfare at the expense of the poor nations.

Brunei, Indonesia, Malaysia, and Philippines are countries in Southeast Asia who group themselves known as BIMP-EAGA which are made to operate under a mutual agreement as a growth area in the Southeast Asian region for economic development. With all the economic resources of those countries, the concept of globalization has the potential to achieve and sustain economic development of the country in general and the Muslim areas in particular.

As mentioned earlier, Mindanao is the present core of development. The Philippine membership to BIMP-EAGA will strengthen Mindanao’s direct global trade because of its strategic location. It will serve as gateway for trading with Malaysia, Singapore, and Brunei in those areas.

Coordinated trade and cooperation in business activities could make a rich contribution to the realization of the goals of an Islamic economy. With the emphasis of Islam on brotherhood, cooperation in various forms to solve the problems of producers, businesses, consumers, savers, and investors should receive considerable emphasis in an Islamic society. Moreover, since the general tone of business in an Islamic economy, would be small and medium scale, cooperation could help action some of the economies of large-scale business without the evils associated with it.

The said countries that formed themselves under the concept of BIMP-EAGA could render a number of valuable services to the people, including temporary financial accommodation when necessary through a mutual fund, the economies of bulk purchases and sales, maintenance facilities, advisory services, assistance or training for solving management and technical problems, and mutual insurance. In fact, it is difficult to conceive how a modern day Islamic society could effectively realize its objectives without a proper role being assigned to cooperation.

Chapter VII. Summary , Conclusion and Recommendation

Summary

This study is specifically sought to come up with the following objectives: 1) to analyze the meaning, nature, laws and aspects of Islamic Economy, 2) to discuss the major factors affecting the globalization of Economy in the Muslim Filipino areas, and 3) to discuss the prospect of economic development in the Muslim areas under the globalized trend.

The findings of this study are useful in the formulation of policies, plans and implementation strategies which are congruent with the socio-economic realities in the Muslim areas in particular and in the APEC region in general. It can be a valuable information to the investors and businessmen in redirecting their business activities which are tailored to the demand for the globalized economy, to the government sector in modifying business policies appropriate for trade, investment and industrial activities in the Muslim areas.

The outcomes of this study will be of great help in promoting the participation of the Muslims in global business. In return, this study influences global participation of the Muslims for economic development after knowing the related issues and problems.

Finally, this study will serve as a reference material by the serious students of Islamic economy and the globalization trend and baseline information by the researcher who will undertake similar work in the future.

In addition to the data gathered from various materials, 150 Muslim Filipino respondents representing the Muslim groups in Muslim Filipino areas in Mindanao who have the knowledge in Islam and economic activities as evidenced by their participation and contribution to economic development were asked through the used of questionnaire. An interview to the known persons who have the knowledge on Islamic economy was employed by the researcher.

Since this study is a descriptive and qualitative in naturer, statistical tool employed was frequency counts and percentage distribution.

After gathering the data in view of the given inquiry for this study, the following are discussed and analyzed: 1) The meaning, nature, source of laws and aspects of Islamic economy, specifically the meaning and nature of Islam, sources of Islam economy, trade, commerce and industry, concept of price, Islamic banking system and Baitul Mal; 2) major factors affecting the global business in the Muslim Filipino areas, specifically on poor knowledge and awareness, poor human behavior, haram (unlawful) foodproducts, poor tourism related facilities, insufficiency of business capital, poor means of communication and transportation, poor quality products, unstable peace and order condition, lack of government supports, too much bureaucratic controls and leadership crisis; and 3) the prospect of economic development in the Muslim Filipinos under the globalized trend.

Conclusion

Based on ongoing facts, it is thereby concluded that the Islam encourages all legitimate economic activities. It does not believe on the scarcity of resources in the true sense. It condemns usury, hoarding, monopoly and exploitation in economic activities and believes in free trade. Protective trade may be allowed in special cases. There is a fundamental difference between trade and interest. If Islamic principles trade and commerce (i.e., honesty and reliability) are adopted by the traders and industrialist, the needy and poor group of the community would be saved from the adverse repercussions of the trade cycles – a common feature of the modern economy.

The Muslim participation in global business has been affected by the said issues and problems which are commonly encountered in various parts of the country and those which are uniquely encountered by the Muslim Filipino.

The economic development under the globalization trend in Mindanao where the Muslim are largely situated can take effect because of its strategic location, abundance economic resource and the ongoing Islamization as well as the government supports for economic development. The location shows that Mindanao considered the present core of development being a member of the growth area known as Brunei, Indonesia, Philippines-East Asia Growth Area (BIMP- IAGA) and has direct economic links through the EAST ASEAN sub-Region.

The relevance of Islamic economy to the globalization of economy in the Muslim areas is soundful. Among the reasons are the following: 1) Islam and its laws on economy are acceptable to the Muslims; and 2) important elements in Islamic economy may be adoptable in Philippine setting.

Thus, globalization of economy helps solve the Muslim Filipino economic backwardness, brings more aids and funds for economic growth, attracts and promotes productive investment, exposes the Muslim business in the global business, promotes mutual economic cooperation among people and augments the nation's economy

Recommendation

Based on the forgoing facts and conclusion, it is hereby recommended that:

1. In order for the Muslim businessmen to be more aware and conscious on globalization and to upgrade the level of participation, the government through the Department of Trade and Industry and responsible offices should effect a series of orientation programs on the globalization of economy. Similar programs on Islamic aspects which should be undertaken and strengthened by Islamic institutions and organizations.

2. Good means of communications and transpiration in the Muslim areas should be provided and improve to give chance to businessmen to have effective communication and transportation.

3. Tourism related facilities should be developed to comfort the traders and investors who are coming in the Muslim areas.

4. In order to improve and increase the selling and export products to the Muslim areas, both local and abroad, the government must accredit Islam organization or institution whose primary function is to determine and examine all goods and commodities in accordance with the requirements of Islam.

5. Peace and Order Task Force should be organized whose membership is composed of representatives from the various sectors of the Muslim society who will work for the settlement of disputes and conflicts between and among the people in the Muslim areas.

6. In order to address the capital inadequacy of Muslim businessmen, the government lending institutions should provide capital to the Muslim businessmen and may study the possibility of adopting the Islamic banking system following the Malaysian model or changing the regulatory system of banking to attune to the Islamic banking principles.

7. In order to refrain Muslim businessmen from committing sin out of usury, there is a need for the establishment of the Islam pawnshop with considerable capital and programs for lawful income generation

Suggestion for Further Study

Since this study is limited on the relevance of the Islamic Economy to the globalization of economy in the Muslim areas in the country, it is therefore suggested that the studies be conducted in the future as follows:

1. The relevance of Islamic economy to the economic system of the country
2. The Effects of Haj (pilgrimage) on world trade
3. The historical accounts on the involvement of the Muslim traders on pre-historic southeast Asian trading activities
4. The description of the nature and areas of Islamic Economy
5. The relevance of Sunnism to globalization in the Muslim Filipino areas
6. The trade integration between Sunni and Shiite economy
7. The responsive economic system reforms for the Muslim Filipinos
8. Islamisation in the Muslim areas.

Bibliography

Abdallati, Hammudah. Islam in Focus. Indianapolic, Indiana. American Trust Publication, 1875.

Abul A'ala Maududi, Economic System of Islam. Lahore: Islamic Publication, 1984.

Ahmad, Khurshid. Islam – Its Meaning and Message, London: Islamic Council of Europe, 1978.

Ahmed, Ziauddin et al., (eds). Money and Banking in Islam, Jeddah: International Centre for Research in Islamic Economics, King Abdulaziz University, 1983.

Ali, Abdullah Yusoph. The Meaning of the Glorious Qur'an: Text, Translation and Commentary. Cairo: Dar Al Kitab al Masr

Arif Billah Maulana, Dr. Moh Abdul Hai. Uswai Rasol E Akram, Pakistan: Siddiqi Trust, n.d.

Arabani, Bensaud I. Commentaries on the Code of Muslim Personal Laws of the Philippines with Jurisprudence and Special Procedures, Manila: Rex Bookstore, 1990.

Audah, Abdul Qader, Islam: Between Ignorant Followers and Incapable Scholars, Malaysia, 1982.

Cayongcat, Atti. Knowing the Maranao. A Research on Maranaw Ways of Life and Cultural Heritage. Iligan City: Scorpio Printing, 1986.

Chapra, Muhammad Umer. Islam and the Economic Challenge. USA: Islamic Foundation and the International Institute of Islamic Thought, 1995.

____________________. Towards a Just Monetary System. Riyadh: Islamic Foundation, 1995.

Edrozo, Rosa, et al., Philippine Policies and Programs on Brunei, Indonesia, Malaysia and Philippines – East Asian Growth Area (BIMP-EAGA) Trade Cooperation: The Case of Cagayan Iligan Corridor Special Development Program. Iligan, Mindanao State University, Marawi City. 1999.

Hussain, Riaz. Halal Wal Haram. Lahore: Islamic Book Center, n.d.

Laerson, Thomas D. et al., International Political Economy. New York: Hardcourt Blake College Publishers, 1998.

Muslim Maju, Cesar. Muslim in the Philippines: Present and Future Prospects. Manial Muslim Converts Association of the Philippines, 1977.

Rahman, Afzalur. Economic Doctrines of Islam. Lahore: Islamic Publications, 1975.

Mannan, Muhammad A. Islamic Economics: Theory and Practice. Lahore: Sh. Muhammad Ashraf. 1987.

Mariam, Jamelah. Islam versus the West. Lahore: Mohammad Yusuf Khan, 1971.

Merchant, Muhammad V. Qur'anic Laws. Lahore: Sh. Muhammad Ashraf, 1991.

Muslehuddin, Muhammad. Banking and Islamic Law. Karachi: Islamic Research Academy. 1974.

Rodriguez, Lolita D. Madrasah General Education Program for Muslim Mindanao. Iligan City: Ivory Printing Press. 1993.

Todaro, Michael P. Economics for a Developing World. Philippines: JMC Press Inc. 1982.

Choudhary, Masudul Alam. The Rate of Capitalization in Valuation Models in an Islamic Economy. Abstracts of Researches in Islamic Economy, Jeddah: International Center for Research in Islamic Economies, King Abdulaziz University, Jeddah, Arabia. 1984.

Miranda, Gregorio S. International Marketing. Quezon City: Interlino Printing Co. Inc. 1981.

Kahf, Moreza. Saving and Investment Functions in a Two Sector Islamic Economy. Abstract of Researches in I Islamic Economy, Jeddah: International Center for Research in Islamic Economies, King Abdulaziz University, Jeddah, Arabia. 1984.

Howard L. Balsley and James Gamell. Principles of Economics. Health and Co. 1953.

Sicat, Gerardo P. Economics. Kalayaan Printing Press Marketing. N.d.

Wilcox, Clair. Public Policies Toward Business. Richard D. Irwin Inc. Homewood, 1960.

Villegas, Bernardo M. A Proposed Economic Agenda for Congress. The Philippine Economic Journal, Philippine Economic Society. Vol. XXVII, Nos. 1 and 2, 1988.

Sicat, Rodelio S. Management Advisory Services. Roque Press Inc., Malabon, Metro Manila. 1983.

Todaro, Michael P. Economics for Developing World. Laguna Group Limited, Ebex, United Kingdom, 1982. Second Edition.

Jayme, V.R. Philippine Economic Development: Some Problems and Policy Direction. The Philippine Economic Journal, Philippine Economic Society. Vol. XXVII, Nos. 1 and 2, 1988.

Panda, Ali B. Ulama Political Leadership: An Alternative to Traditional Politics. Mindanao State University: Marawi City. 1993.

Manalo, Elina O. The Perception of Tourists on the Quality of Facilities, Staff and Services of Tourism Oriented Establishments in Cagayan de Oro, January 1993.

Mohammad, Annabelle, E. Factors Affecting Investment Location Decision: Their Implications Toward the Development of Iligan City as a Regional Growth Center, 1997.

Sarip, Mosib. Muslim's Filipino Leader's Assessment of the Politico-Administrative Problems in the Autonomous Region in Muslim Mindanao. Mindanao State University: Marawi City. 1995.

Documents

Business Laws of BIMP-EAGA member countries, DTI
Foreign Investment Act of 1991, DTI
Investment Priority Plan, 1995
Philippine Constitution, 1987.
The Omnibus Investment Code of 1987, BOI and DTI

Glossary

Ahadith: plural of Hadith

Ashab al-Mal: plural of Sahib al-mal

Ayah: a verse of the Qur'an. See also Surah.

Bay: stands for sale and has been used as a prefix in referring to different types of sales: Mu'ajjal, Murabaha, Tawliyah and Wadi'ah.

Bay al-Mu'jjal: Sale against deferred payment, either in lump sum or installments. The council of Islamic Ideology (Pakistan) has, however, used it in the same sense as murabaha.

Faqih: Jurist; plural, fuqaha

Fiqh: Muslim jurisprudence; it covers all aspects of life, religious, political, social or economic. In addition to religious observances (prayer, fasting, zakah and haj) it covers family law, inheritance, social obligations, commerce, criminal law, constitutional law and international relations, including war. The whole corpus of fiqh is based primarily on the Qur'an and the Sunnah and secondarily on ijma and ijtihad.

Fuqaha (singular, faqih): Jurists who give opinion on various issues in the light of the Qur-'an and the Sunnah and who have thereby led to the development of fiqh.

Globalization: process considered to deepen and tighten the interdependence of world economy in order to ensure mutual help and cooperation between and among nations.

Hadith (plural, ahadith); A report on the saying, deed of tacit approval of the Prophet, peace be on him.

Halal: Anything permitted by the Shariah.

Haram: Anything prohibited by the Shariah.

Ijma: Consensus of the jurists on any issue of fiqh after the death of the Prophet, peace be on him.

Imam: The word is used in this book in its most popular meaning of leader of the congregational prayer; the word is, however-, also used for the founders of different schools of Muslim jurisprudence or other eminent jurists and also for the prominent descendants of Ali ibn Abi Talib and distinguished Shiah theologians- In ahadith it has also been used to refer to the ruler.

Jabiliyah: The period in Arabia before the advent of Muhammad, peace be on him

Mudarabah: an agreement between two or more persons whereby one or more of them provide finance, while the others provide entrepreneurship and management to carry on any business ventures whether trade, industry or service, with the objective of earning profits. The profit is shared by them in an agreed proportion, The loss is borne only by the financiers in proportion to their share in total capital.

Murabaha: Sale at a specified profit margin. The term is, however, now used to refer to a sale agreement whereby the seller purchases the goods desired by the buyer and sells them at an agreed marked-up price, the payment being settled in an agreed time frame, either in installments or lump sum, The seller undertakes all the managements needed for the purchase and also beats the risk for the goods until they have been delivered to the buyer

Mudarib: The partner who provides entrepreneurship and management in mudarabah agreement as distinct from the sahib al-mal who provides the finance.

Qard hasan: A loan extended without interest or profit-sharing (plural, Qurud hasanah)

Qur' an: The Holy Book of the Muslim s consisting of the revelations made by God to the Prophet Muhammad, peace be on him, during the Prophethood of about 23 years. The Qur'an lays down the fundamentals of the Islamic faith, including beliefs and all aspects of the Muslim way of life, These are supplemented or further elaborated by the Sunnah, The Qur'an consists of 30 parts (ajza), 114 chapters (surahs), and 6,666 verses (ayahs). There are a number of translations by Abdullah Yusuf Ali and Muhammad Marduke Pickthail, both Muslim, and by A.J. Arberry are the most popular. In all references to the Qur' an in the text (e,g" 30-41), the first number refers to the small and the second to the ayah or verse

Riba: Literally means increase or addition and refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or an extension in its maturity. It is thus equivalent to interest. It is used in the Shariah in two senses: riba al-nasiah and riba al-fadl.

Riba al-Fadl: An extension of riba or trade, because while trade is allowed, not everything is permitted in trade. The prohibition of riba al-fadl closes all back doors to riba though trade. It covers all income realized in trade through dishonesty, fraud or 'unfair exchanges

Riba al-Nasi'ah: Refers to the 'addition' of the 'premium' which is paid to the lender in return for his '"waiting' as a condition for the loan and is technically the same as interest.

Ribah: Is from rayb which literally means ‘doubt’ or ‘suspicion’ and refers to the income which has the semblance of riba or which raises doubts in the mind about its rightfulness. It covers all in come derived from injustice to, or exploitation of others.

Sahib al Mal (plural, Ashab ai-mal): The financier, in the mudarbah form of partnership agreement, the sahib at-mal (also, rabb al-mal) provides the finance while the mudarb provides the entrepreneurship and management. There can be many ashab al-mal and mudaribs in a given mudarabah agreement.

Shariah: Refers to the divine guidance as given by the Qur'an and the Sunnah and embodies all aspects of the Islamic faith, including beliefs and practices.

Shirkah: Partnership between two or more persons whereby, unlike mudarabah, all of them have a share in finance as well as entrepreneurship and management, though not necessarily equally.

Sunnah: After the Qur'an, the Sunnah is the most important source of the Islamic faith and refers essentially to the Prophet's example as indicated by his practice of the faith, The only way to know the Sunnah is through the collection of ahadith.

Surah: A chapter of the Qur'an, There are 114 surahs of varying length in the Qur'an, In all references of the Qur' an in the text, the first number refers to the surah and the second to the ayah or verse.

Ummah: refers to the whole Muslim community, irrespective of color, race, language or nationality, which carry no weight in Islam.

Zakah: The amount payable by a Muslim on his net worth as a part of his religious obligations, mainly for the benefit of the poor and the needy.